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ISSN 0973-8460



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Contents

PERSPECTIVE

- 2 “Adamant for drift, solid for fluidity”**
India needs leadership and a renaissance in its foreign policy
Harsh V Pant
- 4 Business interests vs national interests**
As Indian companies grow abroad
Sameer Wagle & Gaurav Sabnis
- 7 The myth of illiberal capitalism**
Multi-polarity, democracy and what the US might do about them
Dhruva Jaishankar

FILTER

- 10 A survey of think-tanks**
The post-American world; Asian geopolitics
Vijay Vikram

IN DEPTH

- 11 The India-Israel imperative**
Indo-Judeo commonalities: the symbolic and the substantive
Martin Sherman

ROUNDUP

- 17 Fruits of knowledge**
Apply knowledge-economy processes for food security
Mukul G Asher & Amarendu Nandy
- 19 Needed: A new monsoon strategy**
The focus should be on groundwater recharge
Tushaar Shah

BOOKS

- 22 Know your consumer?**
A review of Rama Bijapurkar's *We are like that only*
Aadisht Khanna

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The Indian National Interest Review

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Published by **The Indian National Interest**—an independent community of individuals committed to increasing public awareness and education on strategic affairs, economic policy and governance.

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Subscription: <http://pragati.nationalinterest.in/>

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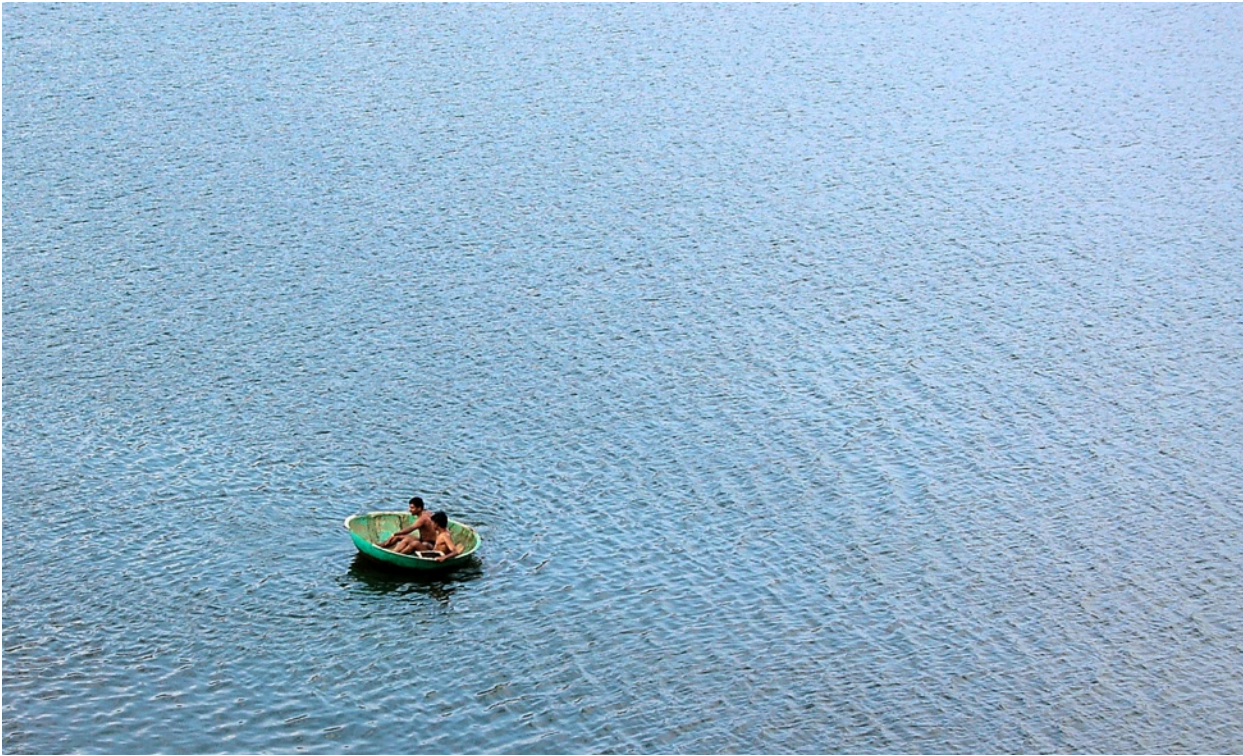
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FOREIGN POLICY

“Adamant for drift, solid for fluidity”

India needs leadership and a renaissance in its foreign policy

HARSHV PANT

AS THE United Progressive Alliance (UPA) government completes its four years in office, there is a whiff of fragility and under-confidence in the air, as if at any moment the entire facade of India as a rising power might simply blink out like a bad idea.

The absolute control of the Communists on all realms of policy-making, the single point agenda of the Congress party to stay in power as long as possible and the insistence of the Bharatiya Janata Party upon destroying its credibility as a national party—all have ensured that Indian foreign policy continues to drift without any real sense of direction.

The seemingly never ending debate on the US-India nuclear deal has made it clear that today India stands divided on fundamental foreign policy choices facing the nation.

What Walter Lipmann wrote on US foreign policy in 1943 applies equally to the Indian landscape of today. He had warned that the divisive partisanship that prevents the finding of a settled and generally accepted foreign policy is a grave threat

to the nation. "For when a people is divided within itself about the conduct of its foreign relations, it is unable to agree on the determination of its true interest. It is unable to prepare adequately for war or to safeguard successfully its peace."

In the absence of a coherent national grand strategy, India is in the danger of losing its ability to safeguard its long-term peace and prosperity.

As India's weight has grown in the international system in recent years, there's a perception that India is on the cusp of achieving 'great power' status. It is repeated *ad nauseum* in the media, and India is already being asked to behave like one. There is just one problem: Indian policy-makers themselves are not clear as to what this status of a great power entails. At a time when the Indian foreign policy establishment should be vigorously debating the nature and scope of India's engagement with the world, it is disappointingly silent. This intellectual vacuum has allowed Indian foreign policy to drift without any sense of direction and the result is that as the world is looking to India to shape the emerging international order,

India has little to offer except some platitudinous rhetoric that does great disservice to India's rising global stature.

There is clearly an appreciation in the Indian policy-making circles of India's rising capabilities. It is reflected in a gradual expansion of Indian foreign policy activity in recent years, in India's attempt to reshape its defence forces, in India's desire to seek greater global influence. But all this is happening in an intellectual vacuum with the result that micro issues dominate the foreign policy discourse in the absence of an overarching framework.

The recent debates on the US-India nuclear deal, on India's role in the Middle East, on India's engagements with Russia and China, on India's policy towards its immediate neighbours are all important but ultimately of little value as they fail to clarify the singular issue facing India today: What should be the trajectory of Indian foreign policy at a time when India is emerging from the structural confines of the international system as a rising power on way to a possible great power status?

An incoherent foreign policy will ensure that India will forever remain poised on the threshold of great power status, but will be unable to cross it.

Answering this question requires one big debate, a debate perhaps to end all minor ones that India has been having for the last few years. However much Indians like to be argumentative, a major power's foreign policy cannot be effective in the absence of a guiding framework of underlying principles that is a function of both the nation's geopolitical requirements and its values.

Otto Van Bismarck famously remarked that political judgement was the ability to hear, before anyone else, the distant hoof-beats of the horse of history. In India's case, everyone but policy-makers it seems is hearing the hoof-beats of history's horse. Indian policy-makers seem to have come to believe that just because the country registers economic growth rates of 8 percent, they don't really need a serious foreign policy and that they can afford to get by with *ad hoc* responses or grand finger-wagging.

Foreign policy requires a serious look at the causal chain of events as opposed to mere reaction. A strategic framework is necessary to bring some

measure of order out of an increasingly chaotic world. India needs a coherent, holistic approach to its foreign policy that is rooted in the deepest tectonic plates of its geography and history. It is the underlying and immutable characteristics of a nation that shapes its interests as it struggles for power and survival in an anarchic international environment.

But India's foreign policy elite remains mired in the exigencies of day-to-day pressures emanating from the immediate challenges at hand rather than evolving a grand strategy that integrates the nation's multiple policy strands into a cohesive whole.

The assertions, therefore, that India does not have a China policy or an Iran policy or a Pakistan policy are plain irrelevant. India does not have a foreign policy, period. It is this lack of strategic orientation in Indian foreign policy that often results in a paradoxical situation where on the one hand India is accused by various domestic constituencies of angering this or that country by its actions, while on the other, India's relationship with almost all major powers is termed as a 'strategic partnership' by the Indian government.

More recently, Indian government has been accused of betraying its 'time-tested friends' such as Iran and Russia as if the only purpose of foreign policy is to make friends. A nation's foreign policy cannot be geared towards trying to keep every other country in world in good humour. India has been extremely fortunate that it has encountered an incredibly benign international environment for the last several years, making it possible for it to expand its bilateral ties with all the major powers simultaneously.

This has given rise to some rather fantastic suggestions such as India being well-placed to be a 'bridging power', enjoying harmonious relations with all major powers—the United States, Russia, China, and the European Union. Such a suggestion not only implies that the major global powers are willing to be 'bridged' but also that India has the capabilities and influence to be such a 'bridge'.

Moreover, the period of stable major power relations is rapidly coming to an end and soon difficult choices will have to be made and Indian policy-makers should have enough self-confidence to make those decisions even when they go against their long-held predilections. But a foreign policy that lacks intellectual and strategic coherence will ensure that India will forever remain poised on the threshold of great power status but won't be quite able to cross it.

Let not history describe today's Indian policy-makers in the words Winston Churchill applied to

those who ignored the changing strategic realities before the Second World War: "They go on in strange paradox, decided only to be undecided, resolved to be irresolute, adamant for drift, solid for fluidity, all-powerful to be impotent."

India is being told that it is on the verge of becoming a great power. But no one is clear what India intends to do with the accretion of economic and military capabilities and with its purported great power status. India today, more than any other time in its history, needs a view of its role in the world quite removed from the shibboleths of the past. An intellectual renaissance in the realm of foreign policy that allows India to shed its defensive attitude in framing its interests and grand strategy is the need of the hour.

Despite enormous challenges that it continues to face, India is widely recognised today as a rising power with enormous potential. The portents are

hopeful if only the Indian policy-makers have the imagination and courage to seize some of the opportunities. Instead we have to bear witness to the sorry spectacle of the nation's prime minister reduced to asking his coalition partners to "listen to voices of reason" on the crucial issue of the nuclear pact with the United States.

At crucial moments in its history, a nation needs a leader who can inspire, infuse its people with confidence and remind them that greatness is theirs if only they would push a bit harder. India is in the danger of losing that moment and right or wrong, Dr Manmohan Singh will be blamed for it by history.

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DEBATE

Business interests vs national interests

As Indian companies grow abroad

SAMEER WAGLE & GAURAV SABNIS

Indian companies must be more pro-India.

Indian companies must go beyond merely maximising shareholder value to look at value maximisation for India as a country—by taking steps which might carry costs in the short term but will help India as well as themselves in the long run.

This is not to imply that Indian companies are unpatriotic or that they have not contributed to the Indian economic growth story. Far from it. The success of the Indian growth story today is largely because of the Indian private sector. However, Indian companies have to take a strategic approach towards their home country. Free markets and shareholder value maximisation are great ideas, but just as socialism is a dogma, "free marketism" and shareholder value should not be allowed to become a dogma while protecting a nation's interests.

The reality is that the interests of the free markets do not always converge with the strategic interests of a nation. Take the example of the mass manufacturing industry in India. Free markets dic-

tate that economic activity should move to regions where they are most cost effective and efficient. However in spite of having a large young population base and one of the lowest labour costs—two critical input factors for low-cost manufacturing—mass manufacturing has moved away en masse from India. The reasons for this are poor infrastructure, rigid labour laws and atrocious governance. The result: India today has a number of shops are full of Ganeshas and Indian flags with "Made in China" tags.

Can India afford to miss out on mass manufacturing? Given the large pool of low-skilled unemployed labour that India has, the country desperately needs mass manufacturing to help transition jobs from agriculture.

For this to happen, Indian citizens must compel the political establishment to reform and improve infrastructure, reform labour laws and remove other impediments. In parallel, they must exert greater pressure on the Indian private sector to work to push India's strategic interests.

In the specific example above, Indian retailers

should consciously develop Indian vendors for mass products. This will cost them more in the short term, but it will benefit them in the long term. By creating an alternative source, the retailers are hedging against single country sourcing risks. So what may seem counter-productive in the short term will work to their benefit in the long term.

A similar parallel can be drawn in the Indian information technology (IT) industry. Rising labour costs have led to a number of Indian IT companies setting up large development centres in China and Malaysia. As a senior executive of a large Indian IT firm explained: "We operate in a global marketplace, and with the saturation of IT growth and rising costs in tier-1 and tier-2 cities, we will need to look outside of India and establish development centres globally in countries such as Malaysia and China."

While there is no denying his point that global companies need to operate in a global context, why can't Indian IT companies do more to expand their operations in tier-2 and tier-3 cities in India first? Why can't the major players set up more offices in tier-3 cities in India and invest more resources in upgrading manpower there first before setting up large facilities outside India? Many IT

Indian companies are not doing anyone a favour by working towards supporting the strategic interests of the country—by promoting the country's interests they are indirectly helping themselves.

companies have indeed started doing this but the question is can more be done?

Another example is that of processed foods companies in India. Given the large agriculture base in the country shouldn't Indian companies be producing most of their products from locally grown produce? The reality however is otherwise. Many of the fruit beverages companies in India import fruit pulp from overseas and package it locally. There are genuine reasons for these, including poor quality of fruits and lack of cold storage facilities. The question is, can these companies not take a more long term perspective and work with farmers in developing supplies of appropriate quality fruit? Yes, this will probably cost them more in the short term but it will undoubtedly benefit them in the long term.

A company is truly Indian if it has significant economic activities in India and it acts in the interest of the country. If one only considers sharehold-

ing to be the criteria for an "Indian" company one will miss out the impact on 85 percent or more of the country's population. It is largely by generating employment and through the trickle-down effect can Indian companies help the Indian economy. The biggest challenge for India in the next two decades lies in creating jobs. The badge of identity for a company should be its level of domestic economic activity and the jobs it has created in India.

Indian companies do not do anyone a favour by supporting the strategic interests of the country. On the contrary, they indirectly help themselves by promoting the country's interests. They are merely returning to society the benefits that they have got through tax breaks, grants and subsidised land allocation from the government. In the case of the IT industry, it is true that they have done a great service to the nation by making Brand India one that is respected globally. But does that by itself justify all the benefits they still continue to enjoy after so many years of operation and healthy profit margins? The reality is that the benefits of these tax breaks flows to shareholders, some of who are directly or indirectly outside India. If they are meant as a compensation for the government inefficiency then by the same logic no Indian individual or company should pay tax.

India should be looked upon as a key stakeholder by private companies. In addition to asking for more accountability from the Indian government, Indian citizens should actively ask for more accountability from Indian companies as well.

Indian companies have no obligation to care about the national interest.

GAURAV SABNIS: Lofty notions of morality dictating international relations sound perfect for a Utopian world, but taking a realist's perspective, a nation is well served looking after its own interests. A world that lives by a universal moral code would be the ideal, but the reality is that as long as even one nation abandons morality for its own interests, other nations would be stupid not to do the same. It would be like tying one hand behind your back and boxing an opponent who is using both his hands. This is why it is welcome to see the gradual, though still insufficient shift in Indian foreign policy from the Nehruvian notions of non-alignment, solidarity with Arabs at the cost of diplomatic relations with Israel and so on, towards a more pragmatic approach over the last two decades.

Extending the same logic to business, there is not much value to Indian companies caring too much for national interest, especially when operat-

ing abroad. Just like the competition or rivalry among nations makes a realistic self-interest based approach advisable, competition among companies necessitates that they put their own interests before national interest. If there is a conflict between the two, then national interest must take a back seat.

In reality, companies are likely to face a major dilemma while taking these decisions. There could be trade-offs involved in choosing one over the other. Especially in a regulation-heavy country like India, companies would be mindful of retaliation from the government if it is perceived as going against the nation's interests. If the Tatas accept a contract from Pakistan for defence-related research and development, then the Indian government could make life difficult for the Tatas in India by denying them licenses, contracts, and may even impose harsher sanctions. So in reality, keeping national interests in mind could end up being the realistic approach, and ultimately in line with overall business interests.

Of course, the example above is an extreme one. Helping out an adversary in building up a war machine is an open-and-shut case. But when it comes to economic issues, "national interest" tends to be ill-defined. What if Infosys realises that it could earn better margins by moving its software development to Philippines? That could be thought of as going against national interest, because tens of thousands of Indians would lose their jobs.

When American companies faced a similar decision, they chose business interests over national interests, and this started the outsourcing wave. The American regulatory environment is relatively free of interference, so the worst that politicians could do was threaten such firms that they will not be awarded government contracts. Even those measures did not gain much traction, possible because a strong capitalistic tradition in that country has created a sizeable segment of politicians who abhor protectionism and believe in free markets (though their numbers seem to be dwindling of late).

India, on the other hand, has a tradition of protectionism and government interference in business. There is nothing in the Indian constitution or

the Indian polity that would stop the government from taking drastic steps against companies they perceive to be anti-national even where national defence is not concerned. But that will not be the end of the world. Laxmi Mittal and Aditya Birla have shown that it is possible to be successful Indian businessmen even if the government creates unnecessary hurdles—by taking their business elsewhere. But that would mean giving up the lucrative Indian market.

Often, companies have to give in to the national interests of countries with lucrative markets to be able to do business. Google had to give in to the Chinese government's demands and doctor their search results, because it was not in their business interest to lose access to the Chinese market. They gave in to the pressure despite being an American company in China. Imagine the kind of pressures an Indian company—which gets its sustenance from the Indian market—would face from the Indian government.

Where does that leave us then? Indian companies have no moral obligation to care about

Just like rivalry among nations makes a realistic self-interest based approach advisable, competition among companies necessitates that they put their own interests first.

national interests. They should only be worried about their business interests. But the intrusive and even vindictive nature of the Indian polity combined with the scale and lucre of the Indian market means that in reality, worrying about Indian national interests might just also be vital to the companies' business interests.

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INTERNATIONAL RELATIONS

The myth of illiberal capitalism*Multi-polarity, democracy and what the US might do about them*

DHRUVA JAISHANKAR

AMERICA'S UNIPOLAR moment was indeed that. A moment. Giddy with a sense of triumph following the dissolution of the Soviet Union in 1991, Americans quickly realised that they had a window of opportunity when their global power would go unchallenged. The period that followed saw robust American economic growth riding on the high-tech revolution; successful military or diplomatic interventions in Bosnia, Haiti, Kosovo and Northern Ireland; unfinished endeavours in Palestine, Korea and Afghanistan; and a severe setback in Iraq. Today, not even twenty years after the fall of the Berlin Wall, the evolution of a new kind of multi-polar order appears imminent. The American strategic community finds itself unsure about where its next big challenge will lie.

Cold war redux?

Having watched China's unparalleled economic rise and Russia's resurrection as a muscular energy power, some Americans and western Europeans have focused upon the rise of authoritarian or illiberal capitalism as a viable and attractive alternative to the US-led democratic capitalist order. They believe that states like Russia and China, benefiting from strong centralised political rule and the lucre of global commercial and financial networks, will together pose the next great ideological challenge to the United States and its allies.

This reading of the geopolitical future is based in large part upon the American experience of the cold war. Arguments in favour of this thesis are frequently couched in cold war terms. It is no surprise that the new challengers to the United States are the same as those before 1991. Robert Kagan, the author of *The Return of History and the End of Dreams*, has been among the most vocal proponents of this theory, describing this future challenge explicitly as "a new ideological struggle of the kind that dominated the cold war". With the aggressive fight against the so-called 'war on terror' simultaneously souring and showing itself to be limited in its spread and impact, illiberal democracies have become the latest neo-conservative *bête noire*.

To say that non-democratic powers are in alliance with one another against the US-led democratic world, as Mr Kagan and others suggest, is plainly incorrect. China and Russia have contrasting views on religion, which had proved to be the Soviet Union's Achilles' heel. Vladimir Putin proudly flaunts his religiosity, while several major threats to the Chinese state—such as Tibetan monasticism, the Falun Gong movement and underground Christian churches—are religious in nature. China and India frequently have overlapping views and oppose the West on issues such as climate change and trade.

On other matters, most notably Islamic extremism, all the major democratic and non-democratic powers share similar concerns. Today the United States backs non-democratic leaders such as Pervez Musharraf and Hosni Mubarak. China prefers the democratically-elected Yasuo Fukuda in Japan and Ma Ying-jeou in Taiwan. When Mr Kagan and his ilk criticise China for its overtures towards non-democratic regimes in the energy-rich states of Sudan, Burma and Iran, they conveniently ignore similar US policy towards Saudi Arabia, Kuwait and Angola.

Mr Kagan's argument should not be simply ridiculed and ignored. Some or all of it has been embraced not just by several American scholars, but also by some European analysts and others, such as Israeli scholar Azar Gat. Nor is this concept simply the result of idle speculation by arm-chair policy wonks. Republican presidential candidate John McCain, who provided a glowing endorsement of Mr Kagan's recent book, has frequently threatened to take concrete steps to counter the threats posed by illiberal capitalist states. He has spoken repeatedly of establishing a League of Democracies, and has threatened to expel Russia from the G-8 in favour of Brazil and India, on the grounds that the group was intended for "leading market democracies". Should Mr McCain win the White House, the struggle against illiberal capitalism may possibly come to the forefront of American foreign policy, especially in its dealings with other major powers.



Communism with Chinese characteristics

The view in India, another large democratic power, is altogether different. China is perceived clearly as a non-democratic single-party state, with its peaceful rise as a responsible stakeholder still far from certain. In contrast, Mr Putin's Russia is seen as a democracy. It is frequently illiberal, with the growth of the Gazprom-Kremlin nexus and the high-profile murders of several journalists, but nevertheless remains a democracy, with power ultimately derived from the ballot box. Mr Putin's method of maintaining power—control at home being used to enable strength abroad, which in turn justifies strong rule at home—has been severely criticised in American foreign policy circles as undemocratic. But this strategy has also been utilised to varying degrees by other leaderships, including those of the United States and India.

Russia today is in fact more similar politically to a host of nominal but flawed democracies the world over than it is to China. Yet American antipathy towards Russia is widespread. In a poll conducted last year of one hundred American foreign policy experts, Russia rated as the ally that least served US national security interests, ahead of Pakistan and Saudi Arabia.

India may be proud of its own democratic traditions. But other than token efforts such as the Global Democracy Initiative, it is unlikely to put democracy at the forefront of its list of foreign policy objectives, certainly not in conjunction with the

United States. One significant reason, other than India's interests with regard to states like Burma and Iran, is a problem of definition. While Americans are happy to lump Russia and China together as authoritarian regimes, Indians are more liberal in their definition of what constitutes a democracy. Indian foreign policy elites understand better than their counterparts in Washington that democracies are not always perfect.

A Brief History of Illiberal Capitalism

The illiberal capitalist model is by no means a new phenomenon. The Asian Tigers were thriving non-democratic capitalist states during much of the cold war. Neither Hong Kong (an imperial territory) nor Japan (effectively a one-party state) were perfect multi-party democracies. But what transpired in almost all these states is instructive. Taiwan and South Korea turned into competitive democracies, as did, in different ways, the Philippines and Indonesia. The long-time ruling party's control in Malaysia suffered a setback at the polls earlier this year. An uneasy democracy returned to Thailand following a military coup in 2006. One party rule is also under threat in Japan where the opposition recently won a majority in the upper house of the legislature. Hong Kong, returned to China in 1997, remains an exception.

This gradual transition to democracy has not been limited to Asia. Several South American

countries underwent similar evolutions to become free-market liberal democracies, as did South Africa, Spain and Mexico.

The political developments in the majority of these countries were accelerated to some degree by the decrease in existential national threats, stemming from the end of the cold war. With communism increasingly discredited as a political force, the requirements for military or nationalist leaderships to repress communist revolutions evaporated. American neo-conservatives appear not to have learned this lesson. Their proposed policies and pugnacious rhetoric play into the hands of Mr Putin and the Chinese Communist Party by providing them with an apparent national threat, which in turn helps illiberal leaderships to retain power.

The End of the End of the End of History

Mr Kagan wrote his latest treatise in conscious

China may also evolve along a political path with *glasnost* following *perestroika*. Energy-rich Russia, in contrast, could evolve in the opposite direction.

refutation of Francis Fukuyama's 'end of history' prediction made almost twenty years ago. Inspired by Hegel, Marx and the French thinker Alexandre Kojève, Mr Fukuyama argued not that events would stop, but that the triumph of liberal democracy with the end of the cold war would mark the "end point of man's ideological evolution". His thesis, tempered by caveats, was expectedly controversial at the time of its publication in 1989. Following the September 11, 2001 attacks and the hysteria surrounding Islamic extremism, it was widely dismissed in favour of other theories, such as Samuel Huntington's 'clash of civilisations' thesis.

Yet for all its flaws, and its author's subsequent amendments, Mr Fukuyama's contention reads truer today than it did twenty years ago. Certainly, there remain potent outliers to the global norm of free-market liberal democracy. But what few have recognised is that there will always be those excep-

tions, frequently resource-rich states that feed off the larger globally integrated market. *Newsweek International* editor Fareed Zakaria is among those to have noted this phenomenon. "[C]ertain countries—those endowed with natural resources, especially petroleum and natural gas—are getting free rides," he writes in his recent book *The Post-American World*. "They are surfing the wave of global growth, getting rich without having to play by most of the rules that govern the global economy. This phenomenon is the strange but inevitable outgrowth of the success of everyone else. These countries are the non-market parasites on a market world."

Americans should therefore not be worried about the Return of History. Other than perhaps its size and speed, China has quite closely followed the growth pattern of several other Asian states such as South Korea, Taiwan, and Japan, which were based initially on comparative advantages in manufacturing and an emphasis on infrastructure.

It appears plausible that China may also evolve along a similar path politically, with *glasnost* following *perestroika*. Energy-rich Russia, in contrast, could evolve in the opposite direction, with state-controlled energy companies enriching the centre and the people at the expense of political freedom. Russia, in short, may end up as one of the parasites, although certainly not to the degree of Saudi Arabia or the emirates.

The new neo-conservative agenda, should it take hold in US foreign policy circles, will adversely impact the United States' relationships with Russia and China. But of equal concern, it may threaten relationships with other proudly democratic states, like India, that do not necessarily share America's reading of history.

Dhruva Jaishankar researches U.S. foreign policy towards South Asia in Washington, DC.

A survey of think tanks

VIJAY VIKRAM

The post-American world
FAREED ZAKARIA, editor of *Newsweek International*, has a review essay of his latest book, *The Post-American World*, in the May/June issue of *Foreign Affairs*.

In it he discusses the similarities between an over-stretched British Empire a century ago and the United States today. Mr Zakaria's thesis centres on the argument that whilst decline in British power was due to failures in economic policy, America faces the gravest danger from a deep-seated political malaise and a refusal to adapt its policies to the "rise of the rest".

Mr Zakaria posits that the British Empire in its heyday is the closest any nation in the modern age has come to the United States' position today. To justify this comparison, he uses a clever analogy, comparing present-day Iraq to the Boer War, a bloody conflict fought by the British Empire in Southern Africa.

While the British had overwhelming military superiority, this meant little on the ground as the Boers turned what was originally conceived to be a quick, easy war into a quagmire for British troops. Ultimately, 450,000 British soldiers were fighting 45,000 Boers and the British had to resort to brutal tactics to win. This severely damaged their moral authority in the eyes of Europe.

Thus, Mr Zakaria notes that the US stands accused of the same transgressions in Iraq as the British were in the Transvaal. Is the United States like its Atlantic counterpart a hundred years ago going to lose its pre-eminent position in the world order?

Mr Zakaria seemingly answers no. Although hegemonic fatigue is evident in American public discourse, America's economic and technological dynamism will continue to support its position at the apex of the world order.

In fact, he argues that Britain's dominance for much of the period of its pre-eminence was hollow, as the industrial-technological advantage it had in the mid-nineteenth century was being rapidly eroded by the likes of the US and Germany. "The wonder is not that it declined but that its dominance lasted as long as it did"

The United States on the other hand with a focus on technological innovation and the unnatural demographic vibrancy that only immigration can bring will continue to account for nearly a quarter of the world's GDP for some time to come.

In sum, Mr Zakaria argues that there have been three major tectonic shifts in the world order in the last 500 years. The first being the rise of the West and its ascendancy over the rest, the second being the rise of the United States and its unrivalled unipolar position and the third is what he terms "the rise of the rest".

Apart from its politico-military manifestation, every other aspect of power: financial, industrial and cultural is shifting away from the United States. Just as Britain used shrewd diplomacy to maintain its own power position, Mr Zakaria advocates that insular Washington needs to bring in the newly rising nations so that it can itself have greater influence.

With Mr Zakaria tipped for a cabinet position in a future Obama administration, one can only wonder what this new strategy means for India.

Asian geopolitics

ASHLEY TELLIS, senior associate at the Carnegie Endowment for International Peace, has written a persuasive piece on emerging geopolitical trends and the implications for the US and India in *Rising India: Friends & Foes* (Prakash Nanda, ed.).

Mr Tellis begins by refuting the conventional wisdom that a geopolitical shift is taking place towards multiple poles of power. He believes that the United States will continue to occupy the role of hegemon for at least the next 20 years or so. Interestingly, he uses the same arguments proffered by Fareed Zakaria in his Post-American thesis but arrives at a different conclusion.

Undoubtedly, America is in a unique position due to its capital accumulation, immigration-fed labour force and technological innovation. But unlike Mr Zakaria, Mr Tellis exclusively focuses on the structural level and concludes that the "US is going to dominate the international system in the policy-relevant future."

Mr Tellis posits that China is the most likely candidate to challenge American interests in the future. Apart from being a continent-size state which is developing its latent capabilities, China is a revisionist power keen to recast the world order in its favour. It is in direct military competition with the United States as well.

Hence, Mr Tellis lays out an unconventional "hedging" strategy. In-

stead of attempting to contain China, he prefers engaging it whilst simultaneously nurturing the power of China's periphery states, India being an obvious example. Thus, a basis for closer strategic alignment with the US is laid, grounded not only in a convergence of interests but a convergence of values, democratic and otherwise.

Mr Tellis' scholarship is noteworthy as it identifies a new trend in international relations, that of increased economic interdependence coupled with intensified strategic competition. States are not self-contained universes any more; they are linked to each other by economics and have stakes in each other's prosperity. Thus, a strange scenario emerges of a state's economic relations with a geopolitical rival determining the quality of strategic resources that it can muster against that very rival.

Mr Tellis ends his paper by identifying two distinct geopolitical futures. First, a future in which the current trends of geopolitical rivalry are enmeshed in economic interdependence. While threats are attenuated, they never quite disappear.

The second, more radical future is one in which the current system collapses and we witness a return to traditional geopolitical competition or another cold war.

Without knowing which future is going to materialise, the challenges presented to American and Indian policy-makers are immense.

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Photo: Drona

GEOPOLITICS

The India-Israel imperative

Indo-Judeo commonalities: the symbolic and the substantive

MARTIN SHERMAN

This [growing Indo-Israeli nexus] is particularly significant when one realises the existing commonalities between the Jews and the Brahmins. Both propagate the purity and superiority of race, share somewhat bitter historical legacies, suffer from delusions of greatness, demonstrate almost regularly animosity against the Muslims, and assertively stress that the past subjugations (*sic*) and deprivation will 'Never Again' be allowed to manifest.

- Pervaiz Iqbal Cheema, President of the Islamabad Policy Research Institute, September 9, 2001

THE PRECEDING excerpt may appear a somewhat incongruous choice to introduce a discussion on strategic co-operation between India and Israel. However it does serve to underscore how the two ancient peoples, the Jews and the Indians, may have a common destiny foisted on them—even if it is by common sources of enmity

that have emerged since both succeeded in asserting their political independence from British colonial rule six decades ago. For among India's potential—indeed current—antagonists are countries and organisations which may pose a threat to Israel in time to come, or are likely to ally themselves with Israel's adversaries in some future conflict. Indeed, in the words of Lieutenant-General Vinay Shankar "...if we carefully look at the sequence of global events over the last ten to twelve years, Indo-Israeli relations have moved along a path that had an element of inevitability about it."

Prima facie there might appear to be little commonality between a titan subcontinent like India and a tiny micro-state such as Israel. Indeed, at their inception, the newly born states could hardly have been more dissimilar. The former, steeped in the culture of the East, having an enormous, and often impoverished, indigenous

population; the latter founded by pioneers who hailed largely from central and eastern Europe, and eager to increase the sparse numbers of its domestic populace by large-scale immigration from countries as diverse as Yemen and Austria.

However, first appearances can be misleading. For in fact there is much that binds the two nations—both symbolically and substantively.

For those who place store on the symbolic, it will be undoubtedly significant to note the striking similarity between written form of the word for "Indian" and that for "Jew", which in Hebrew script, are almost identical. While the Hebraic characters for "Indian" are: "יהודי", adding "י" the smallest letter in the Hebrew alphabet will give the word "יהודי" which is "Jew" in Hebrew. Indeed even the phonetic articulation in Hebrew of the two words is also very much alike: "Hodi" for Indian; "Ye-Hodi" for Jew.

Of course, the practical significance of these interesting similarities—beyond obvious curiosity value—is unclear. Nevertheless, in the context of the history of Judeo-Indian relations, it is worth noting that India, unlike many countries across the globe, can boast of a past that is almost entirely without any major manifestation of animosity towards the Jews. In fact, the only significant incident of anti-Semitism was the persecution of Jews in Cranganore, on what is now the Kerala coast, in the 16th century...by the Portuguese. As P R Kumaraswamy, a leading analyst of Indo-Israeli relations, puts it: "In light of the absence of anti-Semitism in India, one can argue that the lack of diplomatic relations [until 1992] was an aberration in India's overall policy toward Jews".

Indeed, on closer examination there does appear to be a considerable degree of compatibility between both the Jewish and Indian people and their respective national-states—Israel and India.

Both Indians and Jews are ancient peoples, with a long history and illustrious civilizations dating back thousands of years, which still deeply impacts the national mindset and the conduct of many aspects national life today.

Both emerged into an era of post-colonial sovereignty from British rule which left lasting imprints on the two nascent independent societies.

Both maintain a strong commitment to democratic governance and to values of tolerance, pluralism and liberty in domestic political environments might have been expected to be highly conducive to the growth of dictatorship

Both countries have had to contend with external threats to national security, periods of economic hardship, political assassination and

ethno-religious rivalries but have never wavered in their belief in, and their commitment to, open pluralist societies—even in these extremely testing conditions.

Both maintain a belief in, and a commitment to, a knowledge-based society, placing great store on learning, science and technological advancement.

Both people have highly successful diaspora (particularly in the United States) who maintain strong affinity with their respective countries of origin, and who strive assertively to enhance the security and other strategic interests of their ethnic homelands, which are in no way discordant with those of their host country.

Much has changed in the international system since the 1990s and much has remained unchanged. Both that which has changed, and that which has not, contribute towards making a compelling case in favour of the establishment of a long-term, multivalent, strategic bond between Israel and India that is both desirable and durable.

The region spanned by Israel and India, aptly described by Paul Sheehan in the *Sydney Morning Herald* as "an 'Arc of Instability'...stretching

Three areas—security, agriculture and technology—aptly demarcate major spheres of strategic co-operation for a far-reaching—albeit not exhaustive—menu for joint Indo-Israeli enterprise.

unbroken through Pakistan, Afghanistan, Iran, Iraq and Lebanon," includes many of most implacable epicentres of radical extremism. A similar geo-strategic argument was reflected in the *Washington Post* where Jim Hoagland identified "Jerusalem and New Delhi [as] end points... in a vast swath of countries from North Africa through the Himalayas that should now be seen as a single strategic region [in which] India and Israel are the most vibrant democracies ...who can build and sustain consensus and commitment to ideas and values".

Nothing, therefore, seems more appropriate or more pressing than that the two nations, who straddle such a highly inhospitable neighbourhood, should cultivate countervailing centres of powers which genuinely and autonomously embrace a similar ethos of social tolerance and political pluralism.

An inauspicious start

[This is] one of the few occasions when the Government of India may be said to have been behind its own public opinion ... [for] public opinion was almost wholeheartedly in favor of an early recognition of your government."

- K. M. Panikkar in a letter to an Israeli friend, lamenting the delay in establishing ties with Israel, 19 September, 1950

While it is not all that surprising to know that Indo-Israeli co-operation in various fields is taking concrete shape, what appears to be somewhat incomprehensible is why so much time has lapsed in forging closer ties?

- Pervaiz Iqbal Cheema, *ibid.*

The bilateral relationship between India and Israel got off to an inauspicious start. The newly born states could hardly have been more dissimilar in geography, demography and political affiliation.



While the early Indian leadership linked the Zionist enterprise to Western colonialism, other factors also weighed against close and cordial bilateral bonds—such as New Delhi's fear of antagonising its large Muslim population; pressures from the Islamic world, India's major source of energy; and the adoption of an anti-Israeli policy by the non-aligned movement in which India was a prominent member. Moreover, in terms of strategic allegiances, an additional rift between the two states existed: Israel aligned itself firmly with the United States, while India, traditionally suspicious of American foreign policy, opted for close links with the Soviet Union.

The significant disparity between the two countries hardly boded well for mutual co-operation between them. However, since the early 1990s, with the fall of the Soviet bloc and the accelerating liberalisation of the Indian economy,

considerable changes began to take place, bringing with them a marked convergence of Indo-Israeli interests.

The culmination of this process took place in 1992, when full diplomatic relations were established. Since then, a burgeoning relationship has blossomed, whose vigour, cordiality and durability have taken both its proponents and its opponents by surprise.

An agenda for co-operation

We in India hold in admiration the immense progress that the people of Israel have made in various fields, especially in agriculture, irrigation and science and technology. There exists enormous potential for enhancing the depth and content of our interaction in these areas as well as in the sphere of defence co-operation

- K R Narayanan, former President of India, September 19, 2000

There appears to be a remarkable compatibility between the aspirations of modern India and its leaders on the one hand, and the areas in which Israel has acquired exceptional expertise on the other. This dramatically reflected in Lal Bahadur Shastri's dictum in praise of martial and the agricultural endeavour (Jai Jawan, Jai Kisan), and the later addendum by Atal Bihari Vajpayee to include scientific and technological endeavour (Jai Vigyan)

Indeed, these three areas—security, agriculture and technology—aptly demarcate major spheres of strategic co-operation for a far-reaching—albeit not exhaustive—"menu" for joint Indo-Israeli enterprise.

Security and military matters

It is in this field that Indo-Israeli collaboration has been most significant. Israel has become New Delhi's preferred source of advanced military technology, and is today its second-largest defence supplier after Russia. It is thus taking a leading role helping India implement its planned drive to modernise its military over the coming decade. While accurate figures are difficult to ascertain reports indicate Israel sells between US\$1-2 billion worth of military merchandise to India annually. Purchases include a wide range of sophisticated equipment—from land-based surveillance systems to sea-borne missiles.

Of course the most important deal was the sale in 2004 of the Phalcon airborne early-warning, command and control systems. The deal, reportedly worth over \$1 billion, was particularly significant in view of the fact that only a few years earlier, Washington intervened vigorously to

block a similar sale to China. This divergent US attitude to technological transfers from Israel to India on the one hand, and to China on the other, could harbour far-reaching geo-strategic significance in the future.

The Indian market is of crucial importance to the Israeli defence industry since it helps bear the significant overhead costs which the country needs to maintain in order to keep its qualitative edge over its adversaries. To remain viable, Israel's armaments industries cannot depend on the Israeli market alone and, according to authoritative estimates, need to export over 70% of their production. While to date, most of the contacts have centred on the supply of Israeli equipment to India, or on Israeli upgrading of existing Indian equipment, there is room and reason for developing more far-reaching joint enterprises.

A preliminary delineation of spheres that appear amenable to such mutually beneficial co-operation include: the development of enhanced power projection capabilities—particularly in terms of air and naval forces; ballistic missile defence systems (BMD)—including exploration of the boost phase intercept (BPI) technologies; and enhancement of effective second-strike capabilities which are essential for any credible no-first-use nuclear policy. In this regard, recent reports indicate that India's Cabinet Committee on Security chaired by Prime Minister Manmohan Singh approved a US\$ 2 billion joint Indo-Israeli development project for a missile system capable of detecting and destroying hostile aircraft, missiles and spy planes within a 70 kilometre range.

Co-operation in the naval sphere offers particularly intriguing possibilities which could serve both India's declared aim to develop a blue-water navy and Israel's increasingly challenging geo-strategic needs. Given its minuscule territorial dimensions, especially after recent withdrawals in its vain quest for peace, Israel is being compelled to turn to the marine theatre for strategic depth allowing dispersal of weapons systems for second strike capability. Likewise, due to the mounting threat from Iran and the growing importance of sea routes to the east, the Indian Ocean is assuming an ever more strategic importance for Israel.

All this militates towards Israel seriously considering the need to develop nuclear-powered naval craft (in particular submarines) with the required speed, range and stealth to contend with the increasing array of hazards it faces. In light of India's declared intention to develop its own indigenous ability for the production of nuclear powered vessels, the time may well be ripe to

consider a bold Indo-Israeli initiative, involving the co-opting of Israel into the India's Advanced Technology Vessel (ATV) project. The ATV project reportedly plagued by numerous setbacks could be significantly bolstered by the input of Israeli expertise and produce far-reaching strategic benefits for both countries. However it is precisely because of the potential strategic ramifications of this idea that it should be explored with appropriate caution and sensitivity.

Technology and commerce

On the interface between the military and civilian, a milestone event was the recent launch last January, of an advanced Israeli satellite by an Indian Polar Satellite Launch Vehicle (PSLV) rocket. While for Israel, the satellite was reportedly intended for intelligence purposes, for India the launch was a commercial mission—the second for another country carried out by the Indian Space Research Organisation (ISRO).

The Indian market is of crucial importance to the Israeli defence industry since it helps bear the significant overhead costs which the country needs to maintain in order to keep its qualitative edge over its adversaries.

In the sphere of civilian trade, volume reached almost \$3.5 billion in 2007—nearly three times that of 2002 and over 15 times higher than the volume in 1992 when diplomatic relations were established—making India one of Israel's largest trading partners in Asia, having overtaken Japan. Indeed, the two countries have much with which to supplement and complement each other—particularly, in the IT and high-tech sectors, where both proven abilities and competencies.

Israel has considerable experience and success in launching companies on international capital markets. According to Israel's Foreign Ministry, in 2007, "[w]ith 90 Israeli-related companies on NASDAQ the country is the number one foreign issuer on the US exchange" and "the fourth largest foreign issuer on the London Exchanges...after the United States, Canada, and Australia". To date it has been more common for Israeli corporations—such as Ness (software) and Teva (pharmaceuticals)—to invest in Indian companies, with Indian investment in Israel largely confined to the diamond trade. However, a recent development may herald a change in this trend, when Jain, an

Indian conglomerate, acquired a 50.01 percent stake in Israel's NanDan irrigation technology company to form what reportedly plans to become the world's largest irrigation company.

And there is another dimension to be considered. Given the prevailing mood in international geo-political trends, a compelling case can be made for Israel to relate to India as more than an additional market for Israeli goods and services. Indeed, political prudence should bring Israeli policy-makers to look at India's economy in strategic terms. In light of the growing animosity of the European Union countries toward Israel, coupled with the impressive and sustained growth of the Indian economy over the last decade (and predictions for even greater growth in the this one) Israel ought to consider cultivating the increasing purchasing power of the Indian middle class as a potential strategic alternative to the EU consumer.

Israel has extensive experience in weathering severe crises in the agricultural sector, in generating income sources for the rural population from tourism, outdoor recreational activities and cottage industries.

Agriculture and rural development

"Everything else can wait, but not agriculture"
- Jawaharlal Nehru, 1947 & P Chidambaram, 2007

One area of particularly acute importance for India—and one in which Israel can make a particularly significant contribution—is that of rural development. There is a growing consensus among a wide cross-section of decision-makers in India, that the country's most pressing long-term strategic problem is the income of the small farmer.

There is, thus a pressing need to find ways to increase the income of the small farmer and at the same time locate other alternative additional sources of livelihood—in order to allow the orderly transformation of Indian agriculture to more modern configurations (such as perhaps larger agro-corporations or large co-operatives).

As Israeli expertise in this respect is among the most advanced in the world, the contribution Israel can make toward advancing rural India is substantial—not only by enhancing existing production techniques—but by upgrading pre-

and post-harvest operations and inputs as well.

In addition to considerable know-how in agro-logistics, storage, processing, packaging, marketing and export of agricultural produce, Israel also has extensive experience in weathering severe crises in its agricultural sector, in innovative societal organisations for the conduct of rural life, and in generating additional income sources for the rural population (such as rural tourism, outdoor recreational activities, and cottage industries). All of these competencies would be of great value in helping rural India restructure for the coming decades, generating lucrative opportunities for both countries.

Some progress in this regard has been made. Several joint ventures have been set up in the field of drip irrigation, floriculture, horticulture, water management and arid region cultivation. In recent years there have been numerous visits by high level delegations to both countries. Typically, the Indian delegations to Israel's major agricultural exhibition, Agritech, have been among the largest to attend, reflecting the awareness of, and interest in, the potential contribution Israel could make in this field. But much more should be done—at an accelerated pace, on a wider front and in a more systematic manner

A few sparse clouds on an otherwise clear horizon

Strategic relationships are not built on gestures alone; their success depends ... on reciprocity. India has enormous expectations from Israel and so does Israel from India. Yet, the process will not be assisted if the supply of the Phalcon radar system is accompanied by India maintaining its dismal record of voting for anti-Israel resolutions in the United Nations.

- Swapan Dasgupta September 12, 2003

While Indo-Israeli ties have remained robust for almost two decades, flourishing under both BJP and Congress governments, there are however a few points of contention that mar an otherwise remarkably unblemished relationship—and which must be openly aired and frankly confronted.

One irksome issue for Israel is India's almost consistent support of anti-Israel resolutions in international fora, particularly the United Nations. The reasons usually advanced for this behaviour by senior Indian representatives are the alleged sensitivities of India's large Muslim minority, dependence on energy sources in the Muslim

world, and concern for its expatriate communities working in Arab countries.

Israel has also expressed grave concern—bordering on alarm—over New Delhi's cordial relations with Tehran. The Indian response to these fears typically refers to the long-standing history of cultural relations between the two nations, energy supplies and strategic considerations regarding Pakistan and Afghanistan, with whom Iran shares a common border. However, in view of Iran's overt declarations of its intention to destroy Israel, coupled with its determined drive to attain nuclear capabilities to do so, Israel's consternation is not difficult to understand, despite assurances that the Indo-Iranian entente does not involve any military component that could threaten Israeli security.

India also has some concerns regarding Sino-Israeli ties especially in the area of arms supplies to China. However, in view of strong US disapproval of Israeli sales of advanced military equipment to the Chinese, as demonstrated by Washington blocking the Phalcon deal in 2000 and strong Pentagon reaction to Israel's planned upgrading of Chinese aerial drones in 2004, there appears little cause for serious worries that Indian security interests could be undermined in the foreseeable future.

Without going into a detailed analysis of the substantive validity of these points of dissent, or of the merit of the responses to them, suffice it to say that they appear unlikely to undermine the ties between India and Israel from continuing to develop and to strengthen, ties which, in the words of Raminder Jassal India's former Ambassador to Israel, "are following a natural flow."

Indeed, given a judicious mixture of political wisdom, will and goodwill, there seems every reason for optimism. For just as Israel, arguably the world's most beleaguered democracy, has established a special relationship with the world's most powerful democracy, there seem to be strong—and mutual—incentives for the establishment of a similar relationship the world's most populous democracy.

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FOOD SECURITY

Fruits of knowledge

Apply knowledge-economy processes for food security

MUKUL G ASHER & AMARENDU NANDY

THE SHARP increases in prices of commonly consumed staple foods (such as rice, wheat, and edible oils) worldwide over last several months, have caused consternation among policy-makers and the general public in many countries. Global futures markets suggest that there will be no significant price softening of food items in the near future. India's annual inflation, as measured by Wholesale Price Index (WPI), is over 8.2 percent; with food price index rising by 40.8 percent in the first four months of 2008.

Adequate supply of these commodities and their equitable distribution among the population

Apart from unusual adverse weather conditions in the recent period in several important agricultural countries, there are several factors which help explain the recent increases in food and energy prices.

First, there has been above-average growth of the world economy, with several countries with large population (such as China and India) growing rapidly in real and per capita terms. This has increased demand for not only food, but also energy and other raw materials.

Second, in 2008, for the first time in human history, the majority of the world's population has become urban. Urbanisation, industrialisation, and infrastructure needs (particularly for roads) have increased the demand for land, which has reduced agricultural land supply.

Third, the use of bio-fuels, which have diverted agricultural land and produce for energy needs in the developed world, has also been a contributory factor. British economist John Kay has argued that US and European ethanol subsidies represent a form of agricultural protection, with damaging consequences for the consumers in these countries, and for the rest of the world.

Fourth, large subsidies for petroleum based products, particularly for diesel and kerosene, and for water and fertilisers in many countries have also contributed to inefficiencies in their use.

Fifth, the accommodating policies of the Central Banks around the world, which have increased supply of credit, and very low or negative real interest rates prevailing in many countries, have diverted some of the financial investments towards oil and soft commodities, contributing to their price rise. A part of the food and energy inflation is therefore due to speculative demand.

The above factors have also led to an increase in demand for food and energy in India. The supply of agricultural commodities (and of energy) has however not increased commensurately. While the measures, such as increasing domestic supply of rice by export taxes and bans, may temporarily mitigate inflation pressures, they aggravate



not only affects household welfare, but has wide-ranging political ramifications as well. The need for politicians to be perceived to be doing something about the issue is therefore overwhelming.

It is widely acknowledged that for India to achieve near double-digit growth, which also improves real income and consumption of the people, annual agricultural growth rate (which averaged 2.6 percent per annum between 2000-01 to 2007-08) would need to be raised to at least 4 percent. The vast imbalance between agriculture's share in Gross Domestic Product (GDP) at around 17 percent, and its share in employment at 60 percent must be addressed.

medium-term supply incentives, and therefore are counter-productive for India's future food security.

To attain food security and diversify the agricultural sector, India will need to apply knowledge economy processes to this sector in a much more strategic and result-oriented manner. A knowledge economy in this context requires that different branches of existing know-how and know-why relevant for production, distribution, and consumption of food products are applied throughout the country. For example, potatoes and chillies which are of uniform size and colour fetch higher prices than those that are not. But this requires capabilities to apply knowledge economy processes and tools at the level of an average farmer. It is through this that the incomes can be sustainably raised and quality of life improved.

India's share in arable land in the world at 11.5 percent is second only to the United States. India has the largest share of irrigated area in the world. It however lags considerably behind other countries in yield per hectare of different crops. Thus, in 2004, India's yield per hectare for paddy was only 75 percent of the world average. The corresponding figures for wheat were 93 percent, maize 38 percent, cereals 73 percent, pulses 79 percent, and soya bean 48 percent. In a recent study published by the World Wildlife Fund (WWF), India's total bio-capacity was only 6 percent of the world's total in 2003, while it accounts for one-sixth of the world's population.

There is therefore great urgency for India to apply knowledge economy processes to improve yield per hectare, bring marginal land into mainstream agricultural activity, improve post-harvesting techniques to reduce wastage, and increase efficiency of its agricultural supply chain. While much of the relevant knowledge is already available, it will have to be adapted to the varying local conditions and contexts within India, and diffused widely. The long-term focus is needed.

There are certain pre-conditions which must be fulfilled before India can apply knowledge economy processes to agriculture.

First, policy-makers in charge of agriculture must give their undivided attention to the sector's challenges, and actively engage individuals, organisations, and companies with relevant competence and expertise. There is need for much more effective co-ordination between the centre and the states, as while agriculture is a state subject, inputs such as fertiliser, rural infrastructure and credit are still dominated by the centre. The agriculture ministers at the centre and the states, as well as those in charge of fertiliser, and other inputs for agriculture must be judged by their performance. The

minister for agriculture, Mr Sharad Pawar's deep involvement in managing India's cricket provides a negative signal, reflecting ruling rather than the governing mindset.

Second, the declining trend in agricultural sector investment must be reversed. This involves such areas as better functioning irrigation facilities, farm to market roads, seed technology, and integrating solid waste management with environmentally sound crop management practices. The Gujarat government's Jyotigram Yojana project of providing rural areas and agriculture with 24-hour power is a good example of the investments needed to expand income earning opportunities in the agricultural sector. The centre as well as other states will do well to initiate similar innovative investments which can make a lasting impact on the rural livelihoods, and India's food security.

Third, measures which would unify India as a single market, and remove inefficiencies associated with marketing of agricultural output are also needed. According to Economic Census 2005, India has 42 million retail trade establishments, with 60 percent of them operating in the rural sector. Modernising and upgrading the retail trade sector will therefore have a significant impact on improv-

India must improve yield per hectare, bring marginal land into mainstream agricultural activity, improve post-harvesting techniques to reduce wastage, and increase efficiency of its agricultural supply chain.

ing efficiency and incomes of both rural and urban households. This will also require restructuring of food subsidies and reorganisation of the Public Distribution System (PDS). Voucher-based and direct subsidies to the end user need to be given serious consideration.

ITC's e-choupal and other such initiatives are reducing transaction costs and information asymmetries between the farmers and the marketplace, but broader national level initiatives, and removal of artificial restrictions on agricultural commerce are needed. Well-functioning and competently regulated forward markets for agricultural products and natural resource commodities could assist in better risk management. However, they require competitive fiscal arrangements (the commodities transaction tax levied in the last budget is a retrogressive step), and consistent policy environment.

The plans by National Spot Exchange Limited (NSEL) to launch the country's first agriculture spot exchange in Gujarat by August 2008 using a public-private partnership framework is a step in the right direction, and needs to be nurtured.

Fourth, the network of agricultural universities and research centres must be subjected to zero-based budgeting, with a view to enhancing their effectiveness in bringing about greater application of knowledge economy in agriculture. Both the centre and the states need to review how these institutions can play a more developmental role.

Fifth, as a majority of India's population will be urban in the not too distant future, urban agriculture and related issues, including rain-harvesting, must receive higher priority. There are now affordable technologies which can assist in converting solid waste into fertiliser inputs to be used to grow food at urban locations. These could be encouraged.

Sixth, there is considerable scope for improving food consumption habits which could lead to healthier and more nutritionally balanced diets.

As the application of knowledge economy requires sustained efforts over many years, there is room for well-designed subsidy programmes in the short-run. Policy-makers must however realise that populist subsidy schemes, with large leakages and poor targeting, have huge opportunity costs as they distract attention and resources away from application of knowledge economy for food security for the population, and constrain agricultural and livelihood diversification.

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AGRICULTURE

Needed: A new monsoon strategy

The focus should be on groundwater recharge

TUSHAAR SHAH

THE INDIAN Meteorological Department (IMD) has forecast a normal monsoon for 2008. If true, this will be good augury, coming after three successive years when over three-fourths of the country received good rains. A good monsoon will help Indian agriculture sustain the much needed 4 percent growth rate, check the increase in food prices and improve food security for the poor.

However, the way India uses its good monsoons is in need of urgent change. For millennia, the Indian farmer has used the monsoon to raise the main *kharif* crop with rain water. This is risky, as mid-season or terminal dry-spell during monsoon often results in halving of crop yields. Canal irrigation was thought to be an answer. But even after 200 years of canal building, less than 15 percent of Indian farmlands benefit from canal irrigation. The rest is either rain-fed or supported by some 20 million farmer-owned irrigation wells. In sustaining well irrigation lies the future of Indian farming.

Thanks to groundwater development, Indian agriculture today is far less susceptible to vagaries

of monsoon. In 1965-66, rainfall was 20 percent below-normal and food production declined by 19 percent. In 1987-88, rainfall was down again by 20 percent but food production fell only two percent, thanks to runaway expansion in groundwater irrigation since 1965.

Irrigated *rabi* wheat has become the most important crop over large swathes of India. In West Bengal, irrigated *boro* rice has helped break the agrarian gridlock. In the semi-arid West and South, the booming dairy economy is sustained by lightly irrigated fodder millets during summer. Milk production here actually increases during a drought. This transformation was made possible by the groundwater revolution.

Contrary to popular thinking, the marginal farmer benefits most from groundwater irrigation. During 1970-1995, marginal and small farms increased their groundwater irrigated area 400 percent; large farms increased it by only percent. Sustaining groundwater irrigation relieves agrarian poverty. Instead, governments at the Centre and the states keep making large investments in dams



Photo: World Resources Institute

Well serving the farmer

and canals. These have guzzled up billions, claimed most monsoon run-off but have added nothing to irrigated area since 1990.

India needs to rethink its use of the monsoon for improved water security. This is especially true in hard rock aquifer areas of peninsular India which comprise 65 percent of its land mass, where dry-land agriculture depends increasingly upon crop-saving supplemental irrigation from over 11 million open dug wells. Over 86 million hectare of India's rain-fed areas, mid-season or terminal droughts regularly take a toll on the *kharif* crop. At such times, using around 1000 cubic metres per hectare of water from wells just-in-time to water a wilting crop just once can raise crop yields by 30-230 percent over rain-fed yield levels. But with parched aquifers, even supplemental irrigation becomes difficult. Groundwater recharge can change this.

Traditionally, the Indian farmer has used dug-wells only for taking out water from the aquifer. This needs to change. Managed properly, dug wells can be excellent devices for putting monsoon floodwaters into the aquifers to be retrieved during dry spells to save crops.

Many scientists scoff at the idea because Americans and Australians do not use dug wells

for recharge. Instead, they use vast recharge basins in unpeopled areas. But Westerners do not have the millions of dug wells that India has, and India does not have the vast uninhabited land they have. India must design its recharge strategy around what it has, rather than blindly copying the West.

India's dug wells are often built as collector-wells with large storage. In Kolar and Coimbatore, they are over 10 meters in diameter and 30-50 meters deep. In Saurashtra, their diameter increases with depth. Farmers commonly make several lateral bores inside them to access surrounding water-bearing formations. When recharged, such wells can also dispatch water to those water bearing formations. It is a pity that these excellent structures are not used for recharge in most hard-rock areas of India.

What hard-rock India needs is a new mindset of managing dug wells as dual-purpose structures, for taking out water when needed and putting water into the aquifers when the surplus is running off. Recharging aquifers needs to get the first charge on monsoon run off. Unfortunately, government planners give it the last priority. Water available for recharge is estimated after allowing for the requirements of existing and planned surface reservoirs. This is absurd in a country where

70 percent of irrigated areas and 90 percent of drinking water needs are met from groundwater.

To reap the full benefits of groundwater recharge, there needs to be a serious campaign. In a village, if only a few farmers recharge their wells, the resulting gains will be shared by many. But if all dug wells are recharged, everyone will enjoy increasing returns.

Such a campaign needs to have seven thrusts. First, extensive groundwater recharge should get first charge on reservoir water after power genera-

What hard-rock India needs is a new mindset of managing dug wells as dual-purpose structures, for taking out water when needed and putting water into the aquifers when the surplus is running off. Recharging aquifers needs to get the first charge on monsoon run off.

tion. Second, farmers must be exposed to the benefits of recharging wells with monsoon floodwaters rather than turning it away from wells as they have always done. Third, farmers should be helped to de-silt flood waters before recharge. Fourth, they should get support to de-silt their wells every 3-5 years. Fifth, economic incentives should be offered to villages that take to recharge. Sixth, funds from schemes like the National Rural Employment Guarantee Scheme (NREGS) should be allowed for deepening existing and digging new dug wells provided they are recharge-enabled. Finally, instead of regulating well-digging, groundwater laws should elicit farmer participation in the recharge campaign.

If all 11 million dug wells in hard-rock India are recharge-enabled, during a good monsoon with 8-10 good rainfall events, these can add 25-30 billion

cubic meters of water to the aquifers, and provide crop-saving supplemental irrigation on 20-35 million ha of rain-fed area. Over the years, sustained recharge campaign can drought-proof *kharif* crops but also sustain some *rabi* or summer irrigation. As a bonus, it will also increase lean season flows in rivers, revive wetlands and reduce the high fluoride contamination in groundwater which is a public health time bomb in hard rock areas.

The economics of recharge are highly attractive, too. It costs just around Rs 5000 to modify a dug well for recharge and support supplemental irrigation on 2-2.5 ha. Compare this with over Rs 200,000 per ha it costs to create canal irrigation. At the national level, a groundwater recharge campaign can pay for itself many times over simply by reducing farm power subsidies. Over 70 percent of the estimated annual Rs 250 billion farm power subsidy goes to hard rock areas. Raising groundwater levels here by just 1 meter through recharge can save the country over Rs 10 billion per year in power subsidy.

Over recent decades, India has emerged as the world's largest groundwater user. Nowhere else in the world are hard-rock aquifers under vast areas so intensively used as here. There is a dire need to rethink our 'monsoon strategy' in the wake of this new reality. Saurashtra has shown that using the monsoon only to raise a *kharif* crop and fill up dams is a sheer waste; the best use of a good monsoon is to replenish parched aquifers. What Saurashtra has accomplished so well needs to be done throughout hard-rock India. Time to start doing that is now.

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Photo: Chris Haynes

REVIEW

Know your consumer?

A review of Rama Bijapurkar's *We are like that only*

AADISHT KHANNA

BOOKS BY Indian academics suffer from dreariness and an inability to communicate with a lay audience, while books by business professionals are often long on self-aggrandisement and motherhood statements and short on real insights into execution of strategy and development of business processes. Rama Bijapurkar, who is a visiting professor at the Indian Institute of Management (IIM) at Ahmedabad and an independent consultant, thus suffers a dual handicap. She has nevertheless written a book which is remarkable in its clarity and focus.

Ms Bijapurkar has been a professional in the field of market research for over thirty years. Her book, *We are like that only*, draws upon her experience and is able to comprehensively explore all

Review

We are like that only - Understanding the Logic of Consumer India

by Rama Bijapurkar
Penguin, 281 pages, 2007

facets of the Indian consumer's behaviour and buying decisions she has seen. Despite the breadth of detail in the book, she resists the temptation to draw it all together into one grand theory. Indeed, Ms Bijapurkar repeatedly emphasises the danger of being carried

away by a grand vision of the stereotypical Indian consumer. Instead, she advocates diligent and rigorous segmentation, and consumer profiling to understand the multiple consumer classes which exist in the country.

Ms Bijapurkar illustrates this best when writing about purchasing power in India and how a single per-capita income figure hides the various different income segments that go into this average: the very few super-rich; the many but decreasing des-

titute; and the swelling ranks of the economic climbers. Ms Bijapurkar also reminds the reader that focusing on the absolute size of the Indian middle class and income growth rate will divert attention from the fact that most of the middle class has little disposable income; and that consumers are very picky in deciding where to allocate it. Far too many multinational corporations—Kellogg and the Coca-Cola Company being notable examples—have mistaken the heterogeneous and low-income Indian middle class for the more homogenous American middle class to their detriment.

The author is also on firm ground when discussing innovation or the lack of it by the marketers of consumer goods. She offers several case studies to demonstrate that successful innovation in India no longer involves manufacturers stripping functionality from their products to reduce costs—which the bicycle industry had done for years. Instead, they re-engineer their products so

Ms Bijapurkar reminds the reader that focusing in the absolute size of the Indian middle class and income growth rate will divert attention from the fact that most of the middle class has little disposable income, and consumers are very picky in deciding where to allocate it.

that a lower-price point offers additional functionality. This may require sacrificing product benefits which consumers do not care about, or which they can substitute on their own. Examples include unorganised sector jeans-wear which retains international cuts and fits while sacrificing the retail experience, and Hindustan Petroleum's community gas kitchens which are a superior alternative to wood-burning stoves, but which cannot be used in private homes. For the rural consumer, this is an acceptable trade-off.

We are like that only's explanation of the nature of market disruption in India—marginal changes in consumer income or consumption habits nevertheless produce dramatic market shifts due to the

sheer size of the market—is a useful warning to companies whose business plans depend on demographic or economic revolutions. The book also points out that tiny changes in a number of otherwise unrelated areas can have a dramatic impact when they combine; citing the example of how simultaneous airline deregulation, new car models and changing demographics together forced the entire hotel industry to reinvent its positioning and pricing.

Unfortunately, the book is much weaker when it is describing trends or classification methodologies not backed by data. Ms Bijapurkar has used a formidable number of income and consumption surveys to argue for a fine-grained economic segmentation of the market. But when discussing segmentation along ethnicity, geography or education, she has no data to present. Beyond an affirmation that these variables nevertheless influence consumer behaviour, and that it is possible to use these variables strategically rather than tactically, she does not offer any insights.

The book's discussion of youth and female consumer behaviour falls midway, as it details the influences on buying habits comprehensively, but is unable to offer specific suggestions on how these may be exploited. The introductory chapters, which go on for thirty pages before we see hard data, are the worst of all—filled with the clichés one expects from a dilettante commentator on India.

But the book's weaknesses serve to emphasise its strengths. To go beyond the immediate context of market research, and taking a more abstract view, *We Are Like This Only* is a plea to seek the truth and not to be taken in by convenient clichés—whether they be of Shining India, Two Indias, the Great Indian Middle Class, or the Great Indian Unwashed. Ms Bijapurkar has shown that the truth is more complex, less pretty, and probably has unappealing consequences—but is available to anybody, and will reward anybody, who looks for it hard enough.

Aadisht Khanna is a former banker who now works at a brokerage. His blog is at www.aadisht.net.



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