



Three Events Tell a Tale of Two Indias by David J. Karl

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The new Global Trends 2025 report by the U.S. National Intelligence Council highlighted the ascent of China and India as part of a fundamental global power shift that will play out in the coming decades. A series of events occurring within a week of one another in October sharply illustrated India's potential for great-power status as well as the distance the country still has to travel to fulfill its global ambitions. The events also threw light on the U.S. strategy, so evident during the Bush administration, of building up New Delhi's capabilities to serve as a geopolitical hedge against Beijing.

The first event, the successful launch of India's first unmanned lunar mission, literally signified the country's upward technological trajectory. Designed to create a sophisticated atlas of the Moon's mineral resources, the mission propelled India into the very exclusive fraternity of space-faring countries. Both the National Aeronautics and Space Administration and the European Space Agency approached India to collaborate on the mission, granting New Delhi an important seal of foreign validation. To Prime Minister Manmohan Singh, the launch "demonstrated the nation's growing technological potential." From the perspective of Barack Obama and the editorial writers of the *Wall Street Journal*, the mission was a wakeup call that the U.S. was in danger of losing its scientific edge. The newspaper even went so far as to fret that India may be "going to the moon just as the U.S. is headed into the sunset."

Coming in the wake of the country's successful delivery of 10 satellites into orbit on a single rocket in April 2008, the lunar mission underscored India's emergence as a major competitor in the lucrative satellite-launch market and satellite manufacturing industry. On the heels of the lunar mission, the Indian Space Research Organization, which operates the world's second largest fleet of remote sensing satellites (behind the United States), announced the launch of an online satellite imagery service. Dubbed *Bhuvan* (Sanskrit for Earth), the project will reportedly provide much sharper and fresher satellite images than offered by Google Earth.

Beneath the heavens, however, a second event – the release of the Global Hunger Index – illustrated just how tenuous India's claim to global power is. The study by the Washington-based International Food Policy Research Institute paints a grim portrait: nearly half the nation's small children (about 60 million) are malnourished and overall more than 200 million Indians suffer from hunger – a number that is greater than in any other country. Indeed, the food security

situation in India is worse than in most parts of sub-Saharan Africa. Underscoring this abysmal record, the World Bank estimates that malnutrition's impact on health resources and lost productivity cost India as much as 3 percent in gross domestic production each year. Reacting to the incongruity of events, the country's minister of state for women and child development lamented that "India can reach the moon but cannot remove malnutrition."

Perhaps more than any other place in the world, India is a study in stark contradictions. Since the reform period began in the early 1990s, enclaves of stunning wealth and technological prowess have sprung up even though the country remains home to the world's largest concentration of economic misery. India's richest man, Mukesh Ambani – a dollar billionaire 20 times over – is building in Mumbai what is believed to be the most expensive domicile in the world. Estimated to cost \$1 billion, the skyscraper residence is equipped with a six-floor garage and three helipads, and will reportedly require the services of 600 full-time servants. All this for a family of six. Yet Mumbai, India's financial capital and source of a good chunk of the central government's tax revenues, is also home to Asia's largest slums, where some 60 percent of the city's 13 million residents live in the densely-packed squalor that is so vividly portrayed in the new film *Slumdog Millionaire*.

Many observers point to India's abundant labor resources as evidence of its expanding capabilities and bright prospects. Projected to overtake China and become the world's most populous country by 2025, India, with its especially high birth rate, has impressive demographic statistics: A quarter of its 1.1-billion people are under 15 years of age, more than half are under age 25, and more than two-thirds are younger than 35. Unlike China, the working age population in India is growing faster than the total population.

Nonetheless, though some speak of a resulting "demographic dividend," it is still more potential than real since the vast bulk of the young workforce is neither well educated nor engaged in particularly productive employment. In terms of the availability of resources and their effectiveness, India's public education system scores poorly relative to the other BRIC countries and to other emerging market countries.

As a share of GDP, aggregate education spending in India is half the figure in Kenya. Despite recent efforts at improving primary and secondary education, the overall literacy rate remains low – 61 percent compared to 91 percent in China – and children receive on average only ten years of school, three years fewer than in many developing countries. As a result, 40 percent of the workforce – numbering some 200 million people – are illiterate and another 40 percent have not completed high school. Only about 7 percent of the college-age population actually attends college, half the average in other Asian countries.

And despite the world-class reputation of India's IT sector, the country manages to produce less than 50 PhDs in computer science each year, about the same number as Israel notwithstanding the gargantuan population disparity. (The corresponding number in the United States is about 1,400). A senior government official in New Delhi acknowledged last year that India would never become a great power on the basis of such paltry numbers.

The educational shortfalls might be manageable if India – like China – were able to fully exploit its comparative advantage as a low-wage manufacturing platform. But highly restrictive labor laws shackle the capacity of large-scale industrial firms to absorb surplus rural labor.

Nearly 90 percent of manufacturing jobs are in small enterprises, meaning that much of the industrial sector is unable to reap gains from scale economies. As a result, the share of manufacturing to GDP, which has stagnated in recent years, is relatively low given the country's stage of economic development. In 2007, India contributed 1.8 percent of global manufacturing output, compared to China's 12 percent share. Indeed, the United Nations ranks India 41st out of 100 countries surveyed in terms of industrial competitiveness. India's score was just behind Brazil's but far outpaced by China's.

All of India's contradictions were summed up by a third event occurring in October. Novelist Aravind Adiga won the prestigious Man Booker literary prize for his debut book *The White Tiger*, a look at the extremes of wealth and poverty that define the country. In its own way, the book, formatted as a series of letters to Chinese Prime Minister Wen Jiabao, offers a cogent lesson in the geopolitics of an evolving Asia.

Although Indians dream of their country becoming a rival, economic and otherwise, to China, the gap between ambition and reality is still quite large. And for Americans looking for a new strategic partner to prevent Chinese dominance of Asia, the material basis of Indian power is not as secure as some make it out to be.