

6

The Democratic Developmental State: The Indian Experience

Prithvi Ram Mudiam

Introduction

The Chapter examines India's experience with political and economic development in the context of the democratic developmental state. Within this framework, it looks into how the Indian state adapted its tradition and history to the requirements of its national goals of modernization and overall development of the country in the post-colonial period. It argues that, the state's proactive engagement of democratization of the development process raised the prospects of the democratic developmental state. Finally, it submits that while the Indian state's experience holds out useful lessons for other states in the South, it cautions them against a blanket approach because of the differences in their historical, economic and cultural backgrounds.

The relative rise of the Asian NICs in the 1970s stemmed, in part, from the state's modification of neo-liberal policy and the market to promote its development objectives. The state 'governed the market', instead of allowing the free reigns of the 'forces of the market'. At issue, however, is not so much about the state and the market, but what kind of state and its mix, and what kind of market with regard to either state-led market, or free market, in the quest for the DDS.

In particular, as the state-market battle for supremacy raged, the strategies adopted by autocratic states in the Asian NICs to promote economic growth included the encouragement of private investment in key industries through various incentives. It nurtured an indigenous entrepreneurial class, identified and implemented critical economic development programmes and projects. It also exposed and guided priority industries to compete internationally. The state

protected trade, provided government subsidies, and formulated policies for selective credit allocation to specific industries, and deliberately distorted interest rates to shore up the potentials and capacities of the local and fragile industries to enable them compete globally. The state promoted land reform, emphasized technical education and income equality, which helped to create the larger social framework for an orderly and all round economic development (Gilpin 2003:316-333). But the fundamental question tackled in the rest of the discussion is whether the processes that led to such growth was ever democratized in the case of India. It is necessary to examine the historical antecedents of the Indian state.

The Historical Antecedents of the Indian State

India attained political independence in 1947 after a long period of British rule. In order to promote the country's development along its history, tradition and culture of the people, the priority of India's first Prime Minister, Jawaharlal Nehru, was to reverse the inherited colonial development policies and programmes.

For Nehru:

India is a country with a tremendous vitality which it has shown through its history. It has often imposed enough of its own cultural pattern on other countries, not by the force of arms but by the strength of its vitality, culture and civilization. There is no reason why we should give up our way of doing things, our way of considering things, simply because of some particular ideology which emanates from Europe ... We should be flexible in mind and we should be receptive, but I have also no doubt at all that we should not allow ourselves ... to be swept off our feet by any wind from anywhere. We should approach these problems, whether domestic or international problems, in our own way (Nehru 1961:39).

India's policy of non-alignment reflected and represented the country's urge to chalk out its own course in political and economic contestations among the comity of nations. Within the context of the policy of non-alignment movement (NAM), Nehru created a political environment, both domestically and internationally, that was conducive to actualize India's objectives of rapid and overall economic development consistent with its national ethos, temperament and ingenuity.

Internationally, the policy framework of the NAM was India's most imaginative contribution to world politics. This is because the western notion of international relations only knew neutrality, isolation and alliance before non-alignment was formulated and introduced into world politics during the period of the Cold War. The policy of non-alignment was also a unique Indian political invention that sought to avoid military alliances in the context of the Cold War, but refused isolation and neutrality as policy options for the newly independent countries for two reasons.

First, it reflected the need of the developing countries for a positive and beneficial interaction with the international community for internal reconstruction and development, while strategically insulating themselves, to the extent they could,

from Cold War rivalries and conflicts. Second, it gave expression to the ambition of the members of the NAM to make their voices heard and views reckoned with in world affairs, which was previously denied them by the core countries of the North.

Further, the instrumentality of the NAM enabled its members, which were developing countries, to assert their priorities on global development issues. Again, Nehru reiterated the significance of the policy of non-alignment as follows:

It is a strange thing that when the world lacks so many things, food and other necessities, and people in many parts of the world are dying from hunger, the attention of this Assembly of Nations [the UN] is concentrated only on a number of political problems. There are economic problems also. I wonder if it would be possible for this Assembly to ... look at the vital and urgent economic problems, and look at places in the world where food is lacking (Nehru 1961:165).

No doubt, the non-aligned countries had played a significant role in moderating and de-escalating the Cold War tensions and rivalries. In a world dominated by the superpowers with nuclear weapons and universal ideologies, the non-aligned policy had helped to bridge the political communication gap between the superpowers, between superpowers and the developing countries and between and among the developing countries. All this facilitated and promoted dialogues and debates that helped to resolve differences that could have triggered off global conflicts especially in the nuclear age (Mudiam 2006:39-40). In essence, the non-aligned policy created an 'area of peace' that was not geographically located, but had global political, diplomatic and moral dimensions that ensured a relatively stable and peaceful international environment for development.

It was in an attempt to preserve the diversity and choice in the international system that Nehru advocated the universalization and consolidation of the state system, particularly in the Third World. To him:

We have to acknowledge that there is great diversity in the world and that this variety is good and is to be encouraged, so that each country may grow and its creative impulse might have full play in accordance with its own genius. Hundreds and thousands of years of history have conditioned us in our respective countries, and our roots go deep down into the soil. If these roots are pulled out, we wither. If these roots remain strong, and we allow the winds from four quarters to blow in upon us, they will yield branch and flower and fruit (Nehru 1961:218).

Panchsheel lays down the very important truth that each nation must ultimately fend for itself. I am not thinking in terms of military fending, but in terms of striving intellectually, morally and spiritually ... This is the lesson of tolerance and peaceful coexistence and cooperation, which India has believed in through the ages. In the old days, we talked of religion and philosophy; now we talk more of the economic and social system. But the approach is the same now as before (Ibid:100-102).

Further, viewed in the domestic context, the policy of non-alignment made it possible for India to adopt a mixed economy approach to its development; an approach that allowed the complementary existence of public and private sectors in the national economy. While key industries like steel and heavy machinery were established in the public sector with the help of public funding, the private sector helped to mobilize private funds for industrialization and the emergence of an indigenous entrepreneurial class. The policy of non-alignment also encouraged the co-existence of politicians with conservative and social political leanings within the Indian National Congress. In turn, this helped to minimize internal strife over foreign and economic policies, maintained internal cohesion and, promoted the country's international relations.

However, when India first, liberalized its economy in the early 1980s, and embarked on a more radical economic reform following the economic crisis in 1991 in order to give the market a greater say and role in the national economic management, the role of the state changed but it [the state] did not disappear (Bhagwati 1995:78-91). In fact, the operation of the free market has always been the creation of a deliberate state policy. As Karl Polanyi argued, 'The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled intervention. There was nothing natural about laissez-faire, as free markets could never have come into being merely by allowing things to take their course' (Burchill 1996:46).

Even after the Indian state opened up the economy, it still created the conditions that permitted the successful functioning of the market-oriented economy 'such as the provision of public education, health services and arrangements for social security' (Dreze 2002:62). The state not only micro-managed the national economy, but took critical decisions on the inflow of foreign direct investment (FDI), sectors to which it was directed and other major issues such as labour and industrial relations, removal or rationalization of subsidies and development of physical infrastructure. Above all, the state formulated and implemented policies on foreign relations and defence policies consistent with India's policy as an emergent global economic player.

From the foregoing, it can be argued that, each state in the South should follow a developmental strategy to suit its history, geography and culture, because that would ensure a plurality of paths to development in the contemporary world. Again, the concern expressed by scholars and policy makers is whether the development strategy and its processes were democratized in India; that is, if the people were empowered to participate in the development or state-led. It is thus in order to examine other aspects of the development efforts of the Indian state, paying attention to its democratization and social and economic development projects.

Features of the Democratic Developmental State

No doubt, the Indian state had formulated broad development policies that informed its democratization and other specific social and economic projects in the country. There is the need, however, to ascertain whether these projects could be regarded as demonstrative features of the democratic developmental state. This section is a response to such daunting task, beginning with the democratization project of the state.

Democratization

In the received literatures on the subject, there has been no consensus among scholars on should be the ideal relationship between democracy and development. For Milton Friedman, democracy and development go hand-in-hand. Gary Becker attributes the relative rapid economic growth recorded by the Asian NICs to the autocratic state. Amartya Sen contends that democracy and development complement each another. While Robert Barro argues that the relationship between democracy and development is ambiguous, Atul Kohli submits that the connection between the two concepts is elusive (Gilpin 2003:329). For details on democratization, see Chapter Three of this work.

Nevertheless, democracy confers a certain degree of legitimacy, accountability and transparency on the development processes undertaken by the state. The enthronement of democratic practices can result in the democratization of development, as has been the case of India. For instance, the use of the instrumentality of democracy has largely influenced the developmental programmes and projects of the Indian state in three important respects.

First, democratization has accounted for the decentralization of the state's development agenda. Second, it facilitated the rise of civil society groups and organizations that supplemented the development efforts of the Indian state. Third, it acted as a corrective influence on the Indian state's developmental preferences, policies and strategies, on the basis of the feedback obtained through periodic elections, free mass media and civil society groups. Let me elaborate on each of them.

Democracy and Decentralization

In India, the development process is decentralized both spatially and functionally. For instance, economic planning and the implementation of its programmes and projects are handled at the national level by the central government, at the provincial level by the state governments and at the local level by the Panchayat Raj institutions. These institutions derive their powers and functions from the Constitution of India, explaining why they have been autonomous in their respective spheres. Also, the decentralization of the development process has fostered economic and social diversity in the country. All this partly accounts for why the Indian

democratic institutions have not only endured, but permitted the growth of civil society organizations (CSOs), which have, on average, complemented the development efforts of the Indian state.

However, decentralization does not necessarily result in democratization because the former does not amount to the empowerment of the people in the development and policy processes, while the latter is actually about the redistribution of power in the development process in favour of the people.

Democracy and Civil Society Organizations

Even though the CSOs have played a major role in the development of the country, they are not a substitute for the state. It is impossible to envisage civil society and its role in the development process in the absence of the state. As Barnes rightly noted,

A flourishing civil society typically depends on the security and predictability provided by an effective democratic state that is controlled by a government that ensures the rule of law and policies that respond to the needs of the population ... Thus, civil society and democratic states are highly complementary and even interdependent ... Every society has its own distinct forms of social organization, cultural and political traditions, as well as contemporary state and economic structures, all of which are central to the development of civil society and shape its specific features (Barnes 2007:7-9).

In engaging the CSOs in the development process, again, Barnes contends that,

Civil society interfaces with the state through parliamentary institutions... through various forms of policy dialogue, and even through direct displays of power through protest movements and activism. Furthermore, civil society groups can help to monitor and constrain the arbitrary exercise of state power and increasingly, the behaviour of private businesses and even multinational corporations. Therefore, civil society enables different groupings in society to debate differences; to reach compromise; to form priorities and to develop consensus on a higher common purpose (Barnes 2007:9).

The CSOs complemented the development efforts of the Indian state, with the micro-finance and water-harvesting projects. I elaborate on them.

The Micro-finance initiative:

The micro-finance or micro-credit is one of the most innovative and successful economic initiatives introduced by the civil society in the developing world, especially in India. The pioneer of the micro-finance initiative, Muhammad Yunus had explained that, 'The idea is to turn conventional banking on its head. In conventional banks, the more you have, the more you can get, whereas in micro-credit, the less you have, the more priority you get' (Aiyar 2006).

Muhammad Yunus had identified five important features of a micro-credit scheme. First it promotes credit as a human right, second it is targeted at the poor particularly poor women, third it is based on trust and not any collateral or contract, fourth it is offered for creating self-employment for income-generating activities and fifth, it provides service at the door-step of the poor and loans are given to a group of borrowers (<http://www.grameen-info.org/bank/whatismicrocredit.htm>).

The relative success of micro-finance in India has unravelled the myth that the poor are not credit-worthy because they cannot provide collateral. Generally, the loans provided in a micro-credit scheme are small explaining why collateral is not a major concern. In fact, the skills of the poor are considered as security for the loan. This is because the skills are traditional in the sense of being peculiar to certain communities and regions, and their products are 'unique' and marketable.

Since the establishment of the Grameen Bank (GB) in 1983, otherwise known as the Village or Rural Bank, some 50 million households have benefited from the micro-credit scheme in Bangladesh and India (Aiyar 2006). The recovery rate of the loans advanced by the GB to the rural dwellers has been an astounding 98 percent. As of May 2007, 97 per cent of borrowers from GB in Bangladesh were women and its services extended to 78,101 villages, covering more than 93 per cent of the total villages in Bangladesh.

Generally, micro-finance has, on average, led to the democratization of capital for the rural poor in India and Bangladesh. This development holds out significant lessons for other countries of the South with huge rural populations and predominantly agrarian economies. Muhammad Yunus noted that 'these millions of small people with their millions of small pursuits add up to create the biggest development wonder'. (<http://www.grameen-info.org/bank/index.html>).

The Micro-watershed initiative:

With regard to the micro-watershed initiatives undertaken by the Tarun Bharat Sangh in the Indian Province of Rajasthan in 1984, civil society provided portable water and irrigated farmlands for numerous villages in the desert state.

The Rajasthan government had declared four blocs of Alwar District of Rajasthan as a 'dark zone', because the groundwater table receded below recouparable level (Samantaray 1998:1). Under the motto 'Putting Tradition Back into Practice', Tarun Bharat Sangh started erecting water tanks, called Johads, by building small barriers at appropriate places to collect and store rain water. The result was phenomenal, because it led to the rebirth of two dead rivers, Arwari and Ruparel, as a result of groundwater recharge by the series of Johads developed in the catchment's areas (Samantaray 1998:17).

Contrary to the fears about the huge cost of constructing the Johads and the social and economic consequences on the lives of the poor and the rural economy, it was inexpensive, in part, because locally available materials were used and village communities contributed money and provide labour. In spite of Rajasthan being

among the more socially conservative states in India, women participated in the construction of Johads and water was distributed equally among village households.

Furthermore, the major sources of livelihood for most of these villages have been forest-based products, subsistence agriculture and livestock rearing. Water is vital to all these sources of livelihood. One of the direct benefits of effective rain-harvesting in Rajasthan was the greater availability of water for irrigation, drinking and other domestic purposes. For instance, irrigation of hitherto dry lands had resulted in increased agricultural production and the sale of milk and milk products from livestock. Other indirect benefits included increased biomass productivity and fodder availability; increased water availability; flourishing micro-entrepreneurship and; improved health of the people (Samantaray 1998). In particular, the income from cattle and agriculture increased over 10 times; 1,150 Johads were constructed; an increase of 2,500 acres of land under cultivation; and the forest cover rose to 40 per cent since 1987 (Khalakdina 1998:56).

From all indications, the two civil society initiatives did not only complement the efforts of the state to promote development, but fostered community participation in the development process.

Democracy as a Corrective Influence

Democracy may not be the best form of government, but is the least harmful. This is partly because of its in-built self-correcting mechanisms that are based on feedback from the public through periodic elections, mass media and civil society organizations. All this serves to stabilize the system of democracy so that it can endure pressures and stress from the polity. As Bhaduri rightly noted,

The fatal flaw of the command economic system was its lack of any inherent self-correcting mechanism. When economic or political decisions went wrong, pressure did not build up within the system to change policies. Indeed, the market economy embedded in a democratic political system has performed better in the longer run precisely because it has such self-correcting mechanism. This is why despite its many faults and defects, the self-correcting mechanism operates time and again, to save market-based political democracies from total economic or political collapse (Bhaduri 1996:15).

Bhaduri's analysis gives an insight into why India demonstrated greater efficacy in dealing with famines compared with the authoritarian communist China. In the period, 1958-61, China suffered disastrous famine because of the failure of the Great Leap Forward policy of the state that led to the death of 15 to 30 million people. Compared with the successive governments in Indian, the state has dealt decisively with the various famine situations in the country since 1947. According to Jean Dreze and Amartya Sen, what really accounted for the difference in handling famine between India and China is the practice of democracy in India and its absence in China. To Dreze and Sen,

Indeed, it is a remarkable fact that no substantial famine has ever occurred in a democratic country where the government tolerates opposition, accepts the electoral process and can be publicly criticized. A government which has to deal with opposition parties, to answer probing questions in the Parliament, to face condemnation from the public media and to go to the polls on a regular basis, simply cannot afford not to take prompt action to avert threatening famine ... In the multi-faceted causal account of the great famine in China, the absence of democracy must be seen as quite central, with influences on other elements in the string of causation (Dreze & Sen 2002:132-133)

The next section examines the nature of social and economic projects of the Indian state and its policies in order to ascertain whether they are indicative of the developmental state.

Development Strategies, Economic and Social Programmes and Projects

The historical antecedents of the Indian state gave useful insights into its orientation towards development as noted. There is a need, however, to examine the extent to which the state's development thinking has shaped its policies, programmes and projects, particularly the characteristics of the developmental state.

Jawaharlal Nehru had often emphasized the need for India to focus on economic reconstruction and development. To him, the policy of non-alignment was meant to create an area of peace in the international system that should facilitate India's quest for development by cooperating with other countries. It enabled Nehru to keep India's defence expenditure at two per cent of its gross domestic product (GDP) in the 1950s. Limited defence expenditure permitted India to deploy most of its resources and energies to economic development. In the post-Nehru period, the policy of non-alignment was continued. It helped India to contain conflict in the sub-continent by not only taking the Kashmir issue to the United Nations, but by accepting the United Nations-brokered cease-fire line and final settlement of the issue, even though Indian army was poised for a decisive victory in Kashmir. It is useful to examine the development strategies, economic and social projects of the Indian state.

Economic Cooperation and Integration

India has made conscious and consistent effort since the 1980s to pursue economic cooperation and integration as the basis for cultivating friendly relations with other states, particularly its neighbours. This is because technical and economic cooperation based on mutual benefits would, no doubt, promote good neighbourliness, created an amiable environment for nipping conflicts before they explode, and would earn the country moral and material supports by the international community.

Hitherto, India had been lukewarm to the possibility of bringing about regional cooperation in South Asia when the idea was first mooted by the then President of Bangladesh Zia ur Rehman in the early 1980s after the Soviets intervened in Afghanistan in 1979. India had suspected that the initiative was a Western-inspired anti-Soviet move with Cold War implications. In regional terms, India was concerned that other states of South Asia could either gang up against it or could use the forum to rake up contentious bilateral issues. India could not rationalize its gains from the smaller neighbours.

However, once its concerns were addressed, India changed tack and assisted in the formation of the South Asian Association for Regional Cooperation (SAARC) in 1985 with its headquarters based in Dhaka. The SAARC had helped to institutionalize regional cooperation in South Asia. For instance, the Charter of the SAARC focused on economic issues, prohibited the member-states from raising contentious bilateral issues at the regional forum, and prescribed unanimity as the principle for decision-making. Such a principle was counter-productive to the 'new regionalism' of the 1990s in the sense that the latter approach was 'world-wide' and placed a premium on democratization (Palmer 1991:9).

The new regionalism gave a new impetus to the sluggish regional cooperation in South Asia in the 1980s. This is primarily because in the 1990s many countries had conceived of regional economic integration as first line of defence against the pressures of globalization. The new thinking on regionalism awakened the states of South Asia to the realization that they needed to come together to obtain the advantages of collective bargaining, and to avoid suffering from the double disadvantage of competing with other countries and among themselves. In fact, the SAARC provided a better platform for South Asian states to bargain with other regional economic groupings and the transnational corporations than any individual state's bilateral relations in the region. For instance, the SAARC had helped to increase intra-regional trade in South Asia, to reduce transportation costs, to shorten delivery schedules, to save foreign exchange and to discourage smuggling activities (Mudiam 2001:53).

This provided the background context for India's major regional economic initiative in the 1990s, which was known as, the Gujral doctrine. The author of the doctrine, I. K. Gujral, who was former Foreign Minister and later Prime Minister of India, introduced the concept in 1997. A crucial element of the Gujral doctrine was the principle of 'non-reciprocity' in India's dealings with the South Asian region. Its objective was to improve the political climate in South Asia and move the region towards greater economic cooperation. Also, the principle of non-reciprocity meant that India 'does not ask for reciprocity but gives all that it can in good faith and trust' to its neighbours like Sri Lanka, Bangladesh, Bhutan, Maldives and Nepal.

The thinking behind such a policy was that India should absorb its asymmetrical relations with most of its neighbours. As Gujral rightly noted, 'India is the biggest country in the region. Demanding reciprocity with countries like Bhutan or Maldives is an unfortunate way of looking at things'. Besides, reciprocity should not always be in kind, as India's economic concessions could result in better political understanding or security cooperation with the recipient countries. All this is part of India's desire to de-emphasize the element of force in its relations with neighbours by giving the country's foreign policy a more positive context and content (Mudiam 2001:54).

The economic initiatives, measures and policies undertaken by the India state since 1985 are part of its larger strategy of creating and cultivating economic constituencies inside its neighbours on the basis of mutual benefit and advantage. India had conceived the strategy as economic confidence-building measures (CBMs), which were of particular relevance and utility in South Asia, given the conflict that had existed among the states of the region, particularly between India and Pakistan. The CBMs seemed to be less problematic in the economic sphere than in the security context. The CBMs have an added advantage of being easy to implement and quick to yield visible positive results. In more general terms, the economic CBMs have the potential to create areas of mutual interest and benefit in non-political sectors that, in turn, can boost the goodwill and trust among the parties concerned. According to Barua,

Recent programs of liberalization and economic reform in India and Pakistan have led to the emergence of a growing class of young professionals, private entrepreneurs, business consultants and technical experts in both countries. The burgeoning class of energetic and forward-looking business professionals in India and Pakistan needs to be recruited into the confidence-building process. The enormous potential of this constituency for influencing public opinion and political leaders, as well as for mobilizing business resources, still remains to be tapped (Barua 1995:155).

Consistent with its policy of economic integration, the Indian state unilaterally extended the most favoured nation (MFN) status to Pakistan and desisted from withdrawing it in spite of Kargil's intrusions in 1999. Although India mobilized its armed forces on the Pakistani border following the terrorist attack on the Indian Parliament in December 2001, one of the major reasons for India's subsequent restraint was the country's 'increasing integration with the global economy. War with Pakistan with the high risk of turning nuclear, could cause foreign capital to exit India. India is conscious of its potential to grow rapidly with foreign investment as well as of its vulnerability to capital outflows' (Rais 2005, p. 161). Also, India signed bilateral economic treaties with neighbours like Sri Lanka in order to preclude Pakistan from exercising a veto power on regional

economic progress. At the 14th SAARC Summit held in New Delhi in April 2007, Afghanistan joined as its eighth member with the United States, China, Japan and South Korea attending as observers.

Addressing the Summit, the Indian Prime Minister, Dr Manmohan Singh, declared that, 'India is ready to accept asymmetrical responsibilities, opening its markets to its South Asian neighbours without insisting on reciprocity'. He promised that India would allow 'zero-duty-access' for goods from Bangladesh, Afghanistan, Nepal, Maldives and Bhutan before the end of 2007 and 'further reduce' the sensitive lists in respect of these countries. He announced unilateral liberalization of visas for students, teachers, professors, journalists and patients from SAARC nations. The Summit also agreed to set up a South Asian University in India and a regional food bank. Dr Singh said, 'I see signs of hope that, our governments are now addressing the bilateral political issues that have prevented us from achieving our potential. We must now join hands to realize our shared destiny' (*The Hindu* 2007).

The Indian state also initiated a tri-continental integration framework in order to strengthen its bargaining position with other countries in the South, as well as for promoting its dealings with the North. The India-Brazil-South Africa (IBSA) initiative is quite instructive for South-South cooperation. The IBSA focuses on joint projects by member-states in science and technology, health, transport and commerce. It helps poorer countries of the South through a fund of US\$4 billion, expected to grow by a billion annually, and it reinforces cooperation among members in international fora. The IBSA will help to increase regional centres of power in the South.

As the Foreign Minister of Brazil, Celso Amorim noted, 'My dream is countries like India, Brazil and South Africa, and the members of the South America's Southern Common Market (MERCUSO) and Southern African Customs Union (SACU) can form a big economic space ... that will enable us to be in a better position to face the North in a creative and competitive way' (Amorim 2007). Another cooperation initiative is the Brazil, Russia, India and China (BRIC) group. The members informally met at the UN General Assembly meeting in 2006 at the instance of Russia. Unlike the IBSA, which seeks to promote South-South cooperation, the BRIC is concerned with devising strategies to enthrone mutual gains into North-South relations.

Civil Society Organizations and South-South Cooperation

The Indian state has always desired to strengthen civil society initiatives at national, transnational and global levels, because they help to redress the imbalance in the North-South divide, and to complement the state in reversing the underdevelopment of the Southern countries. For instance, until the 1970s, civil society was inextricably tied up with the state. However, the rethinking of the

role of civil society in the 1980s re-oriented the CSOs away from dependence on the state. As a result, civil society initiatives and associations became critical of the activities of the state, while empowering the mass-based organizations to participate in the development process. It was the civil society organizations that helped to create massive opposition from below against the totalitarian regimes that overthrew military dictatorships in Latin America and autocratic governments in Eastern Europe. The CSOs had, over the years, acquired a global meaning and reach as a result of its transnational networks (Kaldor 2003:586-588; Giddens 1999:31).

It is expedient therefore, for the South to embrace the CSOs as a non-state and non-market actor to help facilitate South-South cooperation initiatives, and to realize the South's quest for the democratic developmental state. The CSOs could also assist the South to chart alternative strategies for reaping its gains accruing from dealings with the North.

Energy Security

Oil and natural gas are the two cheapest world energy sources without any major substitute since end of the Second World War. Oil-producing states have come to play a major role in the international economic system. The formation of the Organization of the Petroleum Exporting Countries (OPEC) ought to have created an institutional framework for its members, which are developing countries and to leverage them not only into a South-South cooperation in the energy sector, but to help the South to redefine its relations with the North. For instance, there is a need for a South-South energy cooperation framework, because it will enable developing countries like India, Brazil and South Africa to sustain their energy requirements and future economic and industrial growth.

Demographic trends

The long-term demographic trends favour the South over the North. Since 1950, the proportion of the population that is over 65 in the developed world has increased from 8 to 14 per cent and is projected to reach 26 per cent by 2050. One of the implications of an ageing population in the North is that the increase in public pension arising from old-age has become unsustainable. At the macro level, it could translate into a smaller work force, a decline in consumption levels and increased expenditure on health and social welfare (<http://www.packard.org/assets/Files/population/program%20review/pop>).

The relatively youthful and densely populated Southern countries like India could represent an asset for the South, provided the government formulates appropriate demographic policy and funds the development of health and education social capital. By 2020, 'almost half of India's population will be between the ages of 15 and 49, giving India the world's largest working and consuming population' (Leigh 2006:25-26).

Closely related to the advantage of a youthful population is migration of labour from the South to the North and its potential for the development of the former. By the end of the 1990s, approximately three per cent of the world's population was on the move. At the turn of 2000, the UN had estimated that 191 million international migrants were moving round the world. In 2005, the annual migration rate was ten percent. There are substantial benefits from migration for the development of the South. For instance, migrants remitted US\$264 billion home in 2006 and this amount was three times of all international aid combined in the period under review. In the majority of the developing countries, remittances account for a third of families' income and they have helped to minimize poverty and to underwrite healthcare, education and grassroots entrepreneurship. Also, dual citizenship laws if properly formulated and implemented could facilitate the use of migration for capital flow and formation, technological acquisition and networks in the South. The UN's first migration summit on 'Global Forum on Migration and Development' held in September 2006 declared that, 'The Global Forum represents an important first step in our efforts to harness the power of migration to advance development' (Ki-moon 2007).

It can be argued therefore that the huge population of Southern states like India is not so much of a burden, but can be converted into a disciplined, skilful and productive human resource capital.

Business Process Outsourcing (BPO)

Business Process Outsourcing (BPO) is made possible by the revolution in information and communications technologies (ICT) over the last three decades. BPO represents a striking example of what a large but skilled group of people can do to promote the national and global economy. The benefits of BPO include, but are not limited to, productivity improvements, access to expertise, operational cost control, cost savings, improved accountability, improved human resources and opportunity to focus on core business (<http://www.bpoindia.org/>).

The experience of India is quite instructive, in part, because, the country has been described as a 'software superpower', with one of the largest pools of low-cost English speaking scientific and technical talent in the world. The breakthrough in the ICT and the availability of low-cost technical talent in India has helped to create a critical complementarity between it and the economically developed countries. For instance, if a bank shifts work of 1000 people from the US to India, it can save about US\$18 million a year due to lower labour and operational costs in the latter. According to Mckinsey, giant US pharmaceutical firms can reduce the cost of developing a new drug, currently estimated at between US\$600 million and US\$900 million, by as much as US\$200 million provided the development work is outsourced to India.

In India, the main revenue areas for the BPO companies are human resources, customer care, payment services, content development and, administration and finance. The revenue that accrued from the BPO increased from US\$912 million in 2002 to US\$13, 811 million in 2007 (<http://www.bpoindia.org/knowledgeBase/#indian-market-size>). The country's software industry grew at a rate of over 50 per cent during the 1990s, which was higher than the growth rate of the global software industry. India earned over 75 per cent of its revenue from the export of software. Software engineers and professionals of Indian origin presently constitute about ten per cent of the employees in the top four global IT companies namely, Microsoft, IBM, Oracle and Intel.

India produces nearly 178,000 software engineers every year. The Indian industry trains over one million people in the country annually in IT, and it provides IT-enabled services at one-tenth of the global cost. India is ranked as the primary country for supplying off-shore IT services by more than 70 per cent of the large US corporations surveyed. The next highest ranked country is preferred by only ten percent. About 212 Indian software companies created 509 overseas offices or subsidiaries, of which 266 were in North America, 122 in Europe, 59 in Asia (excluding India), 25 in Australia-New Zealand, 25 in Africa, and 12 in Latin America. It was projected that IT-enabled services like back-office operations, call centres and medical transcriptions could create over one million jobs in India by 2008. The IT industry has become an important source of employment for women in the workforce since it involves less physical labour and provides flexibility of working hours (Barua 2006:27).

The BPO companies have created hundreds of thousands of highly paid jobs in India in a relatively short period. The companies have also earned billions of foreign exchange which is crucial for the economic development of any country of the South. Most significantly, BPO has created a critical dependency between the Northern economies and the Indian BPO companies which is becoming increasingly vital for the former to retain their economic competitiveness in the era of globalization.

The leverage that the South could exercise over the North in these three vital areas, namely, energy security, long-term demographic advantage and; the contribution of the BPO companies could become a powerful and effective tool to transform the North-South equation.

Concluding Remarks

No doubt, the Indian state has played a central role in the economic development of the country over the last six decades. At issue, however, is the nature of the state and its interventionist policy and programme, particularly its democratic and developmental potentials. While the role of the state was extensive and almost paternalistic in the pre-liberalization period, it became critical and facilitative

thereafter. Thus, the nature and extent of the state's role in managing and directing the economy varied from time to time, depending on the national economic objectives and priorities and, the nature of the world economy and politics at any given time.

The Indian state could have decentralized development planning, but not the democratization of its process. It provided the political space for the growth of civil society initiatives nationally and internationally. The policy of non-alignment enabled India to obtain economic and technological assistance from the Western and Eastern blocs. The conduct of periodic elections facilitated corrective feedback mechanism for the state. India's foreign policy helped to create a strategic environment for harnessing financial and technological resources that quickened the country's relatively comprehensive economic development, and to preclude ideological disputes and strife over national economic priorities and strategy.

The democratization project of the Indian state has reached an advanced stage. Its relative industrial growth is quite instructive. All this holds out great lessons for the states in Southern countries to re-think their development strategies along the path of democratization, cultural milieu and experiences of the people. There is an urgent need for the democratization of the state and across the institutions that make it a reality while creating the local business class that the state can embed with. The discussion of this subject is the task of the next chapter.

References

- Ayoob, M., 1995, *The Third World Security Predicament*, Boulder, Lynne Rienner Publishers.
- Aiyar, Pallavi, 2006, 'When a little money goes a long way', *The Hindu*, October 26.
- Amorim, Celso, 2007, 'We are changing the world's geography', *The Hindu*, July 17.
- Barua, P., 2006, 'Economic Diplomacy in South Asia: Priorities and Stakeholders in the New Economy', *South Asian Survey*, 13, 1, pp. 17-33.
- Bhaduri, A. & Nayyar, D., 1996, *The Intelligent Person's Guide to Liberalization*, New Delhi: Penguin Books.
- Bhagwati, J., 1995, *India in Transition: Freeing the Economy*, New Delhi: Oxford University Press.
- Burchill, S. & Linklater, A., 1996, *Theories of International Relations*, London: Macmillan.
- Dreze, J. & Sen A., 2002, *India: Development and Participation*, New Delhi: Oxford University Press.
- Florini, A., ed., 2000, *The Third Force: The Rise of Transnational Civil Society*, Washington, D.C: Brookings Press.
- George, S.J., 2001, 'Security in South Asia: Need for a New Definition', in Mudiam, P.R., ed., *Intra and Inter-State Conflicts in South Asia*, New Delhi: South Asian Publishers.
- Giddens, A., 1999, *The Third Way: The Renewal of Social Democracy*, Cambridge: Polity Press.
- Gilpin, R., 1987, *The Political Economy of International Relations*, Princeton: Princeton University Press.
- Gilpin, R., 2003, *Global Political Economy: Understanding the International Economic Order*, Hyderabad: Orient Longman.

- Goddard, C.R., Cronin, P., Kishore, C. D., 2005 'The Westfailure System', in *International Political Economy: State-Market Relations* in Strange, S., ed., *A Changing Global Order*, New Delhi: Viva Books Private Limited.
- Khalakdina, M., 1998, *The Promotion of Community Self Reliance: Tarun Bharat Sangh in Action*, Ahmedabad: Oxfam India Trust.
- Kaldor, Mary, 2000, 'Civilizing' Globalization?: The Implications of the "Battle in Seattle"', *Millennium*, 29,1, pp. 105-114.
- Kaldor, Mary, 2003, 'The idea of global civil society', *International Affairs*, 79, 3, pp. 583-593.
- Ki-moon, Ban, 2007, 'Migration and Development', *The Hindu*, July 11.
- Krepon, M.S.A., 1995, 'Economic CBMs between India and Pakistan', in Barua, P., ed., *Crisis Prevention, Confidence Building, and Reconciliation in South Asia*, London: Macmillan.
- Leigh, James, 2006, 'Post-Globalization: The Asian Superpower in the Making', *World Affairs*, 10, 2, pp. 14-34.
- Mudiam, P. R., 2006, 'The Nehruvian Model and the Post-Cold War World', *World Affairs*, 10, 2, pp. 36-46.
- Nayar, B.R., 2005, *The Geopolitics of Globalization*, New Delhi: Oxford University Press.
- Nehru, J., 1961, *India's Foreign Policy, Selected Speeches*, September 1946-April 1961, New Delhi: Ministry of Information and Broadcasting.
- Palmer, N.D., 1991, *The New Regionalism in Asia and the Pacific*, Lexington: D.C. Heath and Company.
- Rais, R.B., 2005, 'Conceptualizing Nuclear Deterrence: Pakistan's Posture', *India Review*, 4, 2, pp. 144-172.
- Samantaray, R., 1998, 'Johad: Watershed in Alwar District', Rajasthan: UN Inter Agency Working Group on Water and Environmental Sanitation.
- Tongerren, A.V., Brenk, M., Hellema, M. & Verhoeven, J., 2007, 'Weaving the web: Civil Society Roles in Working with Conflict and Building Peace', in Barnes, C., ed., *People Building Peace II: Successful Stories of Civil Society*, New Delhi: Viva Books Private Limited, First Indian Edition.
- Varadarajan, S., 2006, 'India, China and the Asian axis of oil', *The Hindu*, January 24.

