

# EASTASIAFORUM

ECONOMICS, POLITICS AND PUBLIC POLICY IN EAST ASIA AND THE PACIFIC

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*Quarterly*



## India's sweet spot

**Ashley J Tellis** India's great power ambitions

**Anita Medhekar** Capitalising on comparative advantages in labour

**Santosh Mehrotra** Accelerating job growth

**Kaush Arha** Straddling fences to standing tall ... and more

**ASIAN REVIEW:** Shahar Hameiri on China's sovereign debt relief and  
Amitav Acharya on realising the idea of the Indo-Pacific

# EASTASIAFORUM

Quarterly

*From the editor's desk*

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Since emerging from colonial rule, India has always aspired to be a great world power. In the past decade-and-a-half the country has been more explicit in pursuing this national ambition, with the prime minister setting his sights on India becoming a developed country by 2047—100 years after gaining independence.

Securing this status will be a challenge. Despite being the world's fifth-largest economy, and rapidly climbing the ladder, much of India remains desperately poor. Poverty reduction is a primary national goal but metrics are opaque and appear to tell a more positive story than might actually be the case.

This issue of *East Asia Forum Quarterly* examines India's position as a regional and global player and explores how it could leverage its economic, demographic and geopolitical circumstances to stretch for its lofty ambitions.

Two key observations stand out across the contributions here. The first is India's subordinate status to China in the Asia-Pacific, which renders futile any possibility of regional hegemony. The second is the large population of those employed in agriculture, in an economy where most of the growth and jobs are coming from a services sector lacking in labour intensity. Human and material investment to generate jobs in manufacturing will be critical to ensure that India does not squander its demographic dividend. So too will efforts to improve primary and early-age education via the New Educational Policy, redressing the traditional focus on the tertiary sector. And China's recent economic challenges perhaps create an opportunity for India to steal some market share in global manufacturing, though Indian industrial policy does not seem to be geared towards capturing the markets that are now being vacated by exporters of labour-intensive goods.

In this campaign for global status, the sustainability of India's democracy and development is not a foregone conclusion. The freedom of the public sphere and the incarceration of major political opposition leaders cast doubt on the country's prospects for maintaining healthy democratic norms. And massive increases in pollution and concerns about major cities going under water necessitate an urgent reorientation of the pattern of economic transformation.

As India heads to the polls and enters a hot summer, these are considerations that will weigh heavily on its future.

Our Asian Review pages cover how the complexity of China's governance affects its dealings with other states, the longevity of the Indo-Pacific idea and how the growth of migration into Japan sits alongside conceptions of its national identity.

**Aditya Balasubramanian**

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COVER PHOTO: Young women with painted faces and hands pose on the eve of Republic Day, in Amritsar. PICTURE: ANI PHOTO VIA HINDUSTAN TIMES / SIPA USA



Indian Army personnel perform the Ceremony of Beating Retreat at Army Day celebrations in Bengaluru, Karnataka (January 2023).

# India's great power ambitions

ASHLEY J. TELLIS

**E**VER since independence in 1947, India's leaders imagined that the country would become a great power. Ascendancy to great power status was deemed inevitable because of India's potential—it possessed a storied civilisation, a large landmass and population and epitomised a successful experiment in liberal democracy. But becoming a great power required that its large population become much more productive and the country at large approach the global technological frontier.

A postcolonial legacy of territorial

disputes with Pakistan and China combined with slow growth during the Cold War stymied India's great power ambitions. Economic accomplishment proved elusive because of excessive statism that also choked its international trade. After the Cold War, India's fortunes turned for the better. The 1991 economic reforms began to undo excessive state controls over the economy and restored external linkages, pushing India towards higher growth.

Since his election in 2014, Prime Minister Narendra Modi has

embarked on a quest to remake India. He has invested heavily in expanding infrastructure and building a welfare state that brings its poorest people into the formal economy while institutionalising pro-business policies to encourage higher growth. Problematically, he has also sought to transform India's previously liberal political regime into a self-conscious Hindu state.

Modi's ambition to speed up India's global ascendancy has benefited from India's increasing material strength. New Delhi's renewed international



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activism is now anchored in a striking *realpolitik* that is marked by a naked—sometimes even abrasive—emphasis on self-interest.

This approach has benefited from global geopolitical trends, especially US–China security competition, which has pushed Washington to back New Delhi as a counterpoise to Beijing’s prominence in Asia and beyond. But the United States is not alone in this regard. Between growing disenchantment with China and the promise of India’s large market and future economic growth, most major Western powers have doubled down on engagement with India. So has the Global South, which sees new opportunities for collaboration.

Realising the ambition of becoming a great power, however, requires more of India.

India will need to transform its immediate neighbourhood to preserve a favourable environment for sustaining internal economic growth, deepen domestic economic reforms to accelerate long-term transformation and preserve its complex social tapestry to enable all of its citizens to contribute towards its goal.

Securing a peaceful local environment has proven elusive. The biggest challenge has been managing ties with China. The meltdown in bilateral ties, provoked by border clashes in May 2020, is disconcerting. It is also complemented by other problems around India’s periphery—ongoing crises in Pakistan, Myanmar, Sri Lanka and the Maldives create distractions that India would prefer to avoid yet cannot. Ironically, India’s success in managing relations with great powers farther afield has not produced meaningful tranquillity closer to home.

As long as India can avoid regional wars, its long-term success will

depend fundamentally on its internal economic performance. The principal task facing its leaders is to convert what has been an episodic peak growth rate of 7 per cent or higher into a new trend growth rate for at least the next two decades.

The gains chalked up since 1991 are owed to the reforms in India’s product markets—meaning the creation and distribution of the goods and services that are ordinarily consumed by its citizens. But high future growth will depend on a deep liberalisation of its factor markets—particularly how it allocates and utilises land, labour and capital and provides better opportunities for entrepreneurship.

**T**HE challenges here are myriad and difficult because they collide with domestic interests that seek to maintain the existing sclerotic system. They are exacerbated by Modi’s overweening ambition to ensure the nationwide dominance of his Bharatiya Janata Party through the elimination of opposition political parties and social challengers—a goal that impedes the creation of the coalitions necessary to implement difficult reforms.

There are three immediate economic hurdles that India must overcome. The first is agricultural reform. For all the eye-catching achievements of its service sector, India is still a nation of farmers. Agriculture employs close to 45 per cent of India’s population but contributes only about 15 per cent to its GDP. But a crying need to absorb this unproductive fraction into sectors of the economy that can better utilise unskilled labour only highlights the larger problem of India’s low labour productivity.

Stimulating Indian manufacturing is next. Unlike most nations that migrated from agriculture to

manufacturing to services, India jumped into services without building up a manufacturing base. Studies suggest that India cannot sustain a 7 per cent plus growth rate without substantially increasing manufacturing. Modi's 'Make in India' campaign constitutes a commendable rectification. But concentrating on flashy, highly capital-intensive manufacturing is unlikely to produce the 56 million non-farming jobs that will be required in India by 2030.

The third challenge is international trade, and Modi's shift toward protectionism today reflects all the pathologies that are now so prevalent

worldwide. The global postwar growth record demonstrates the value of external openness. Though countries can grow by expanding insulated domestic markets, such growth takes longer. India does not have that kind of luxury. Protectionism centred on increased tariffs and the demand for expanded exports—even as New Delhi constricts imports, the acme of discredited mercantilism—does not serve India's desire for rapid economic growth or for increased geopolitical influence.

While India manages these economic tests, preserving social stability in the face of its cross-cutting

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Modi's ambition to speed up India's global ascendency has benefited from India's increasing material strength

internal cleavages remains a persistent challenge. Modi has embarked on the unprecedented experiment of transforming religious Hinduism into political Hinduism, an experiment which seeks to consolidate the Hindu electorate into a unified vote bank that will support his party in perpetuity. Whether this revolution succeeds without disenfranchising India's large minority groups and deepening its significant north-south divide remains to be seen.

India will gradually increase in power, becoming the world's third largest economy during the next 10 to 20 years. Yet it will remain much weaker than both the United States and China by a significant margin. It will also continue to be marked by the same paradox that characterises China today—having a large economic mass that does not translate into high levels of distributed prosperity. India's journey towards true great power capabilities is thus likely to be long and arduous. **EAFO**

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PICTURE: SAURABH SIROHIYA / NURPHOTO



Devotees gather at the Ladliji Temple in Barsana.





Workers manufacture shoes at a small factory in Agra.

# Capitalising on comparative advantages in labour

ANITA MEDHEKAR

**I**NDIA'S comparative advantage in human-capital endowment is pivotal for driving export-led industries in the process of economic development. In 2014, Prime Minister Narendra Modi adopted a 'Make in India' strategy to encourage domestic entrepreneurship in industrial manufacturing, information

technology and digitalisation. The strategy was also designed to attract foreign direct investment (FDI) to assemble and manufacture high-tech goods in India. The goal was to promote an export-led growth strategy and enable India to integrate with global supply chains, create jobs and reduce reliance on high-tech imports.

Despite also implementing the *Atmanirbhar Bharat Abhiyaan* self-reliance policy in 2020, in December 2023 India's overall trade deficit was US\$19.8 billion, with rising bilateral trade deficits with five countries.

In 2019, in a significant reversal of its trade policy direction, the Modi government withdrew from the

Regional Comprehensive Economic Partnership (RCEP). Yet India continues to emphasise regional trading agreements as a platform for liberalisation, maintaining commitments to the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, as well as the value of bilateral free trade agreements (FTAs) with various countries and a Comprehensive Economic Cooperation Agreement with Australia.

Since COVID-19 disrupted global supply chains, the Indian government has turned to self-reliance by restricting trade and adopting an inward-looking approach to economic growth strategy. By prioritising domestic consumer demand for capital-intensive manufacturing of smartphones, automobiles, pharmaceuticals and medical devices, India is reducing its role in global value chains. As a result, its actual share of low-skilled, labour-intensive and competitive exports is actually 15 per cent less than what it could be. China, Bangladesh, Sri Lanka and Thailand are ahead of India in low-skilled labour-intensive manufacturing exports such as textiles, clothing,

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Indian trade policy  
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intensive goods

footwear and jewellery.

Many countries have justified a pivot to self-reliance in essential imported goods on the basis of pandemic-driven supply shocks. Given India's large income and wealth inequality—with 1 per cent of the population holding 40.5 per cent of the nation's wealth—neglecting its comparative advantage in export-led growth and depending on domestic demand-led growth is not sustainable. High population growth, the COVID-19 pandemic, poverty, lack of access to vocational education and training, lack of non-farm employment opportunities and limited exports of low-skilled manufactured goods have resulted in high youth unemployment among India's low-skilled workforce.

The 'Make in India' policy was designed to attract FDI inflows for domestic high-tech manufacturing and industrial assembly, but it has struggled to realise this objective. Democratic backsliding, growing divisions based on caste and faith, the farmers' strike, brain drain and youth unemployment all negatively impact FDI inflows into job-creating low-skilled labour-intensive manufacturing technology, research and economic development. In 2023 net FDI steadily declined to US\$13.54 billion, down from US\$19.76 billion in 2022.

In 2022, increased imports of labour-intensive goods from China contributed to a bilateral trade deficit of US\$100 billion. India needs to diversify its economic activities and import sources and leverage its FTAs with partners such as Australia, Japan, the United Arab Emirates, the United Kingdom and EU countries to increase FDI inflows.

**A**MID high unemployment, India's demographic dividend in labour-intensive manufacturing

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India's 52 per cent  
youth unemployment  
and an excess of labour  
suited to low-skilled  
manufacturing and  
agricultural jobs is  
undermining future  
growth

is being wasted. Despite the overall formal unemployment rate falling from 8.6 per cent in December 2023 to 6.8 per cent in January 2024, youth unemployment increased among 15–29-year olds resulting in a labour market demand and supply gap and lower economic growth.

India's current trade strategy and FTAs with developed countries are not utilised or suited to utilise India's comparative advantage in labour-intensive production. Despite India's bilateral FTAs, the export growth potential of labour-intensive manufactured goods such as textiles, garments, leather, apparel and jewellery has declined.

India's 52 per cent youth unemployment rate and an excess of labour suited to low-skilled manufacturing and agricultural jobs is undermining future growth. As China continues to reduce its low-skilled labour contributions to textiles, clothing and footwear and China-based firms relocate to cost-efficient manufacturing countries like Bangladesh, Sri Lanka, Thailand and Vietnam, India could fill this gap

by leveraging its trade relationships. According to research for the Ashoka Centre for Economic Policy, India is losing US\$140 billion (or around 5 per cent of GDP) by not utilising its competitive advantage in low-skilled labour-intensive export-led manufacturing activity.

Growth in labour-intensive manufacturing has been slow because India's restrictive labour regulations promote corporate interests and investment in the high-skilled capital-intensive information technology and manufacturing sectors.

Restrictive labour regulations make it difficult for low-skilled workers and firms to expand labour-intensive manufacturing, create jobs, achieve higher productive efficiency and access gains from trade. This comes at a greater opportunity cost of abandoning an abundant demographic dividend and comparative advantage in the low-skilled labour-intensive textile, clothing, footwear, jewellery and leather goods.

A 2022–23 Economic Survey of India reveals the decline in labour-intensive low-skill merchandise exports and its impact on employment opportunities. Indian trade policy should provide incentives to employ low-skilled labour and boost manufacturing exports of labour-intensive goods. It should also leverage bilateral FTAs with developed countries to unlock the potential of its comparative advantage. This would attract FDI into export-led labour-intensive manufacturing and support inclusive, broad-based and sustainable economic development and growth.



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# Understanding India's evolving middle classes

SANDHYA KRISHNAN

**I**NDIA'S middle class first emerged in the early 19th century, when British policies gave rise to a small, educated, upper caste, English-speaking elite. But the economic potential of the Indian middle class only became a major phenomenon in the 21st century when it started to attract attention for its potential to drive global consumption. India's contemporary middle class is more multidimensional with economic growth since the 2000s spawning the formation of multiple middle classes—an 'old' or established middle class and an emerging 'new' middle class.

There is no consensus on the actual size of India's middle class. Using the classification of those spending between US\$2–10 per capita per day, over 600 million people—half of India's population—were in the middle class in 2012, up from less than 300 million or 27 per cent of the population in 2000. Nearly 75 per cent of the middle class is comprised of the lower middle class—those spending US\$2–4 per capita per day, a figure that's only slightly above the global poverty line.

If using a higher income band, where a person is considered middle class if their daily income is approximately US\$17–100, then 432 million Indians can be included in the

middle class as of 2021, comprising 31 per cent of the population, up from 14 per cent in 2005.

The wide variation of income within India's middle class, yields a substantial diversity in spending patterns. The lower rungs of the middle class spend much of their income on private healthcare and education, non-essential consumables and assets such as motorbikes and basic household appliances. The upper rungs also spend a large proportion of their income on private healthcare and education, but also on discretionary goods, entertainment, property and personal services. The upper middle class is more likely to own luxury assets such as cars, computers, air conditioners and washing machines.

Although income levels vary within the middle class, both sub-classes are large and promising consumer markets. This makes them the drivers of consumption and economic growth in India.

The liberalisation, privatisation and globalisation of the Indian economy in the early 1990s not only opened the Indian market to multinational firms, but also introduced new high-paying jobs for the established middle class.

This changed the middle-class occupational structure. The new



jobs in sectors such as finance and information technology attracted many of the established middle class and saw a move away from traditional government jobs. Affirmative action policies helped lower castes and the poor to grasp opportunities in government vacated by the established middle class. Unskilled workers also found opportunities in the peripheral and lower rungs of the new private sector as food vendors, security guards, domestic staff and construction workers.

Recent policies and legislation including the Mahatma Gandhi National Rural Employment Guarantee Act, have boosted rural incomes, enabling rural India to enter the middle class as well. According to some definitions, the rural middle

class is now larger than its urban counterpart.

The growth of India's middle class is synonymous with changing political attitudes. During India's struggle for Independence, the English-speaking middle class was actively engaged in politics and critical for communication with the British. In the 1950s and early 1960s India's middle class identified strongly with India's politics under the prime ministership of Jawaharlal Nehru. But as the socialism of the Nehru era developed cracks, the middle class lost interest in politics. For politicians, the middle class was an insignificant source of votes because of its small size.

After India began to liberalise, the middle class moved into better-paying job opportunities presented by

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A large part of the growth in India's middle class is attributable to the lower classes climbing the economic ladder

globalisation and privatisation. From the 2000s, as the size of the middle class expanded, it also became a significant vote bank.

Economic and social diversity among the middle class attracts

PICTURE: REUTERS / NIHARIKA KULKARNI



Commuters walk on a platform after disembarking from a suburban train at a railway station in Mumbai.

different political agendas. The aspirational or 'new' middle class focus on personal economic opportunities, while the established middle class demand cleaner air, better infrastructure and technological development. The nature of their engagement also differs. The established middle class are digitally switched on while also participating in local civic engagement and voting. The 'new' middle class is more likely to be involved in social mobilisation.

Although the 'old' and 'new' middle classes use different channels for political expression, they are linked by the common call for India's development.

Economic growth in India has created a larger, more socially inclusive and politically engaged middle class. A large part of the growth in India's middle class is attributable to the lower classes climbing the economic ladder. Given the unstable nature

of some of their jobs, this group is vulnerable to falling back into poverty if economic growth falters.

In 2021 the Pew Research Centre found that the Indian middle class contracted during the COVID-19 pandemic. The Indian government's 2022–23 Household Consumption Expenditure survey also showed that while rural nominal household consumption expenditure increased at an annual rate of 1.62 per cent between 2004–05 and 2011–12, it increased by just 1.02 per cent between 2011–12 and 2022–23. For urban areas, the corresponding growth rates were 1.85 per cent and 1.12 per cent.

Even as the Indian economy recovers, it is essential to ensure that there are enough jobs available for poorer Indians to climb the economic ladder. There is evidence of increasing joblessness and jobless growth in India despite increasing

levels of education. This could provoke social unrest. Recent agitation by the Maratha community, an upper caste group in western India, demanding Other Backward Class status in order to benefit from affirmative action policies, is an example of the potential outcomes of joblessness and a sluggish economy.

India's large, heterogenous and burgeoning middle class is a promising component of its domestic market. But there's a risk of serious social crisis in the middle class if growth falters and fails to create enough quality jobs. Meeting the aspirations of India's 'new' middle class, and ensuring that they are not left behind, is a priority for government in managing the country's new social and economic fabric. **EAFO**

*Sandhya Krishnan is an economist in the School of Development at Azim Premji University.*

## SYSTEMIC INJUSTICE

# Political narratives on poverty that mislead

AVINASH CHENNURI AND  
KEARRIN SIMS

**D**EMONSTRATING poverty reduction is a mainstay of political success in India. How much progress has been made, why poverty persists, what more needs to be done

and what it means to be poor in modern India are hotly debated issues.

According to the World Bank's poverty headcount—which sets the poverty line for lower-middle-income

countries at US\$3.65 per day—poverty in India declined from 60.9 per cent in 2015 to 46.5 per cent in 2021. Over the same period, India's National Institution for Transforming



A man and his child are photographed in a slum area of Ghaziabad, Delhi NCR.



India (NITI-Aayog) reported that multidimensional poverty fell from 24.85 per cent to 14.96 per cent, while 2022–23 consumption expenditure data suggests a near eradication of poverty at purchasing power parity of US\$1.90 per day.

If accurate, this is cause for celebration. These trends mean India is one of only a handful of countries on track to meet the United Nations Sustainable Development Goal of reducing multidimensional poverty by at least half by 2030.

But such poverty data needs careful consideration. The challenges of data collection, reliability and manipulation mean that statistics on poverty must

be treated with scrutiny.

In India, reliability is not only compromised by the politics of poverty statistics but also because the increased number of items included in the 2022–23 Consumption Expenditure Survey inflates poverty reduction when compared against the previous survey in 2011–12.

Further, progress on multidimensional poverty in India has been calculated using the results of the government's National Family Health Surveys—without use of the latest expenditure data—leading many observers to challenge the credibility of official statistics and their associated narratives of progress.

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In a country of 1.4 billion people, the persistence of poverty is an undeniably complex challenge

Real progress on poverty reduction may not be as pronounced as statistical trends suggest.

More difficult still is determining whether poverty alleviation has been



the result of good policy and programs or of independent social and economic forces. Whatever progress has been achieved, there's need to look beyond monetary measures of poverty to better understand what forces push people into poverty, trap them there and lift them out.

**I**N INDIA, structural oppression and systemic injustice have helped maintain cycles of poverty. India is the world's fifth largest economy and is home to more billionaires than any other country bar China and the United States, but it has the lowest Human Development Index of all G20 countries. India's poverty is not only due to lack of wealth but also a skewed distribution of wealth resulting from persistent and intersecting forms of discrimination, exclusion and exploitation.

While Hindu Higher Castes account for just 22.28 per cent of India's population, they hold 41 per cent of total wealth and 35.3 per cent of all land. By contrast, Scheduled Castes and Scheduled Tribes—which combined represent 27 per cent of the population—hold just 11.3 per cent of assets and 11.3 of land. Under the caste system, privilege, opportunity, discrimination and disadvantage are ascribed at birth.

Regarding gender inequities, women account for just over 25 per cent of the organised labour force—a rate much lower than in neighbouring Bangladesh, Nepal or Sri Lanka.

A widely raised concern during the leadership of Prime Minister Narendra Modi has been the persecution of Muslim communities. This is accompanied by impoverishment, with Muslims being the poorest religious group in the country, owning just 8 per cent of total national assets.

For many of India's poor,

systemic injustice leads to feelings of hopelessness. This is perhaps most strikingly represented in the country's suicide rate. More than 170,000 suicides were reported in 2022. Nearly one-third of those individuals were daily wage earners, agricultural labourers and farmers. The 2022 suicide rate is the highest recorded since the inception of the National Crime Record Bureau's reporting in 1967 and represents an average 468 deaths by suicide per day.

With a national election in May 2024, renewed interrogation of India's poverty achievements and challenges is needed.

The data suggest that progress has been made on monetary poverty alleviation, though what this progress looks like remains contested. Even if World Bank poverty data is accurate, it suggests that approximately 651 million Indians continue to live below the lower middle-income poverty line and 166 million suffer multidimensional poverty.

Without discounting what has been achieved, there remains much to be done.

In a country of 1.4 billion people, the persistence of poverty is an undeniably complex challenge. Despite this complexity, it is also clear that India's enduring poverty has political origins, with the 'overt exclusion of population segments from their basic rights' a leading cause, according to economist Parthasarathi Shome.

It is the deeply political nature of poverty that is perhaps most concerning, particularly given the upcoming election. With democracy in retreat and government control rising, the concentration of political and economic power is felt most severely by the poor.

Poverty is much more than what monetary indicators reveal. Poverty

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India is the world's fifth largest economy and is home to more billionaires than any other country bar China and the United States, but it has the lowest Human Development Index of all G20 countries

is a lack of voice and capability to lead a fulfilling life. Loss of political freedom exacerbates the poor's inability to speak out about daily struggles to access clean water and food, education, land and housing, employment and personal security.

Things left unsaid are things left unchanged. As the avenues for India's poorest citizens to express themselves become fewer, so too will it become more difficult for the country to meaningfully address its enduring poverty. [EAFQ](#)

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# Opportunities for accelerating job growth

SANTOSH MEHROTRA

**I**NDIA'S economic growth rate was 7.7 per cent from 2004 to 2014 but has slowed to 5.7 per cent per annum over the last decade. The number of non-farm jobs created in the earlier period—7.5 million—fell sharply by up to a half. India's demographic dividend

will run out by 2040, after which India too will age, like China.

The slowdown has been caused by three consecutive economic policy shocks which impacted job growth: the demonetisation of 86 per cent of India's currency value in November

2016; the badly designed and poorly implemented national Goods and Services Tax in July 2017; and a very strict national lockdown after the COVID-19 pandemic struck in March 2020.

To generate more jobs, the economic

PICTURE: DEBARCHAN CHATTERJEE / NURPHOTO



Harvesters dry rice grains in the sun at a rice mill outside Kolkata.

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Unlike the East Asian success stories, India has not had a coherent industrial policy since economic reforms were introduced in 1991. This approach is no longer tenable

growth rate will need to rise to 8 per cent per annum (at a minimum for the current decade) to absorb the projected increase in the working-age population, whose growth will decelerate gradually from 2030 until 2040.

**B**UT accelerating growth means addressing problems in its four main drivers—consumption, investment, exports and government expenditure.

Private final consumption expenditure is growing slowly, while the investment share in GDP, which was between 31 and 38 per cent from 2004–14, a level not seen in the last decade when private investment remained consistently below 31 percent. Exports had grown at 15 per cent per annum over the period 2000–14, but goods exports fell in the five years after Prime Minister Narendra Modi came to power and only services exports have held up. Government expenditure can only do so much and although public investment in infrastructure has risen, it cannot offset continuing low private investment, especially by micro, small

and medium enterprises (MSMEs).

Foreign direct investment has levelled off and has rarely exceeded 2 per cent of GDP in the past 20 years. This is hardly surprising since India has fallen on every global indicator that affects its investment environment. It was already ranked 132 in the 2021–22 Human Development Index and 142 in per capita income.

To create jobs, strategies are needed beyond just reviving growth. Consumption expenditure growth in rural India has been low, though rural consumption is a significant part of total consumption. Government investment in agriculture to enhance productivity and rural incomes is critical. But the government has primarily allocated funds to agriculture through subsidies and cash transfers for farmers at the expense of public investment directed at boosting long-term productivity.

Unlike the East Asian success stories, India has not had a coherent industrial policy since economic reforms were introduced in 1991. This approach is no longer tenable. The issue is what kind of industrial policy might work in India's circumstances. India's manufacturing strategy should be cross-sectoral (horizontal), rather than products-based (vertical), such as seen in the current government's focus on 'picking winners' through its performance-linked incentive scheme for 14 mostly capital-intensive sectors.

Nor must India allow the rupee to appreciate against the dollar so that exports remain competitive.

To create jobs, government policy should focus on the five labour-intensive manufacturing sectors that account for 50 per cent of all manufacturing jobs—garments, textiles, food processing, leather footwear and wooden furniture.

Because of the three shocks to the economy between 2016 and 2020, jobs in these activities fell in absolute terms. India is a labour-surplus country and better policy support for MSMEs in labour intensive activities will create productive jobs.

MSMEs are also better supported nationwide through a Cluster Development Program, which has existed since 2005 but remains weak. This strategy, used by late industrialisers like Italy and China, focuses on geographically concentrated clusters that have grown organically over decades. There are 5500 clusters in India producing manufactures. Most are in mid-sized towns that have not benefited from government infrastructure improvement programs. This sector needs upgraded support, including

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To create jobs, government policy should focus on the five labour-intensive manufacturing sectors that account for 50 per cent of all manufacturing jobs—garments, textiles, food processing, leather footwear and wooden furniture



access to credit, skills development, technology upgrades and market development—at the level of each cluster.

These clusters have suffered from three problems: underfunding, fragmented input services and policy incoherence. The use of fintech to enable access to working capital for MSMEs builds financial capabilities. India's digital infrastructure, the increase in household bank accounts and the expansion of e-payments have seen unprecedented growth, which can contribute to job creation.

**I**NDIA'S youth have received better education in the past two decades. But compared with East Asia—where education spread earlier and supported industrial development—India has neither an industrial development policy nor a technical or vocational strategy aligned with industrial policy. Poor youth education levels are a barrier, requiring an increase in public education investment to at least 4.5

per cent of GDP.

India is a continental country, with its land-locked states especially lacking an industrial base. Industrial corridors with industrial hubs are only now developing slowly. The two most advanced are the western Delhi–Mumbai Industrial and Freight Corridor and the eastern Amritsar to Kolkata Corridor. But progress on the Mumbai–Bengaluru, Bengaluru–Chennai and Chennai–Kolkatta corridors, forming the southern peninsular legs, has been slow. These are important to linking the hinterland to the coast and enabling global value chain production and services links, attracting investment and creating jobs.

India must invest, as part of its industrial policy, in its design and research and development capacity to enable industry to prosper and create jobs. A country that can land spacecraft on the moon, launch thousands of satellites and attract over 800 international firms to establish

Global Capability Centres, can mobilise the professionals needed to foster its product and process design capacity. India still spends only 0.69 per cent of its GDP on research and development, miniscule for the world's fifth largest economy compared with China's 2.25 per cent or South Korea's 4 per cent.

A carefully articulated, horizontal industrial policy that supports skills formation and infrastructure to assist industry and which does not shy away from international competition would further grow India's services-driven and highly entrepreneurial economy and its manufacturing sector. India can become a powerhouse connecting its domestic demand potential to international competitiveness if it can address growing inequality and its K-shaped post-pandemic recovery.

EAFQ

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Chinese and Sri Lankan flags are waved in front of the Chinese tracking vessel *Yuan Wang 5* at Hambantota port (August 2022).



# Making sense of China's approach to sovereign debt relief

SHAHAR HAMEIRI

**S**INCE the early 2000s, China has gone from a relatively insignificant donor to the biggest bilateral provider of development financing to developing countries. In the five years following the 2013 announcement of the Belt and Road Initiative (BRI) China's global lending portfolio expanded rapidly to temporarily rival the World Bank's lending volumes. China's approach also shifted over this period from delivering the bulk of its international financing as foreign aid—in the form of grants and concessional loans—

to providing mainly commercial-rate loans, often for infrastructure megaprojects constructed by Chinese state-owned enterprises.

By 2019 China's overseas lending had fallen drastically from its peak of about US\$140 billion in 2016 to just over US\$40 billion due to a combination of growing Chinese and borrower reticence. Then came the pandemic. The border closures and lockdowns brought on by the COVID-19 pandemic hammered the world economy and government budgets. Struggling with debt

accumulated via earlier borrowing—not just from China but also from bond markets, commercial banks, multilateral development banks (MDBs) and other non-traditional bilateral lenders—many developing countries were experiencing serious repayment problems.

Some respite came via short-term lending from the IMF and the US Federal Reserve's quantitative easing program, but it was short-lived. As inflation began rearing its head in developed economies, central banks pressed the brakes, quickly raising

interest rates. The predictable result has been growing sovereign debt distress.

Unlike the 1980s debt crisis, major middle-income economies—such as Brazil, Indonesia and India—have managed to weather the storm relatively well so far, reducing the risk of a systemic financial crisis. But after 15 sovereign defaults were recorded between 2000 and 2019, that number rose dramatically to 18 from 2020 to 2023. The IMF now estimates that around 60 per cent of low- and middle-income countries are either in, or at high risk of, debt distress.

In the 1980s, China was a marginal donor. So how is it responding to its first sovereign debt crisis as a major creditor for many debt-distressed countries?

Typical accounts of China's expanding overseas lending activities, specifically the BRI, emphasise their geostrategic objectives. From this perspective, Chinese lending is part of China's broader challenge to US hegemony and aims to deploy development financing to cultivate allies and secure access to strategically valuable routes, locations and resources. Some have gone further, claiming that China is practising 'debt-trap diplomacy' by using its development financing to purposely ensnare governments in unsustainable debt. When borrowing countries enter debt distress, China can seize strategic assets like ports or coerce other concessions from their governments.

**B**ASED on these accounts, one would have expected China to do one of two things in response to the growing sovereign debt crisis—either provide generous debt restructuring terms to distressed borrowers to secure their followership; or spring its debt trap, making the most of debtors'

vulnerability. Neither is happening.

Instead, Chinese creditors are insisting on being repaid in full and appear unwilling to offer meaningful concessions, resulting in prolonged debt restructuring negotiations that in many cases have reached a stalemate. China is thus undermining the conventional sovereign-debt restructuring process led by the IMF and the Paris Club (an informal grouping of rich creditor countries for collective debt restructuring negotiations) but offers no viable alternatives in its place. Consequently, China's standing in many developing countries is eroding.

China's engagements in Sri Lanka provide a particularly instructive example of the inadequacy of the geostrategic framing for China's behaviour, since Sri Lanka is the posterchild for the debt-trap diplomacy thesis. According to the debt-trap narrative, China lent large sums to Sri Lanka for major infrastructure projects, cultivating its China-friendly president Mahinda Rajapaksa. This included financing the construction of the strategically located port of Hambantota in Rajapaksa's home region. In 2017 when Sri Lanka couldn't pay the bills, China swooped in to take over the port via a 99-year lease with plans to use it as a naval base, part of its 'string of pearls' strategy to encircle India in the Indian Ocean.

This is not an accurate description of the financing, construction and lease of the port. The port in Hambantota was not suggested by China and had been in Sri Lanka's development plans for decades. Sri Lanka's debt distress in 2016 was caused as much by its bond market borrowings as by Chinese lending.

The underperforming port was leased following Sri Lanka's rescue

Chinese creditors are insisting on being repaid in full and appear unwilling to offer meaningful concessions, resulting in prolonged debt restructuring negotiations that in many cases have reached a stalemate

deal with the IMF, which required Sri Lanka to privatise state-owned assets. The Chinese state-owned enterprise that leased the port, China Merchants Port Holdings, paid the Sri Lankan government US\$1.1 billion, but the money was used by Sri Lanka to pay down other debts while the underlying loan remained in place. No debt-for-equity swap took place. The port has not become a Chinese naval base either. In fact, the Sri Lankan navy moved some of its own operations to the area.

China's response to Sri Lanka's recent debt distress problematises the debt-trap narrative even further. In 2019, Mahinda Rajapaksa's brother, Gotabaya Rajapaksa, became president of Sri Lanka. Gotabaya slashed taxes and borrowed big on bond markets to meet election promises, but the pandemic struck Sri Lanka's tourism-dependent economy hard. The country was again struggling to repay its creditors, with nearly half of external



debt servicing going to bondholders and 20 per cent to Chinese lenders.

Gotabaya turned to China and India for rescue lending to avoid approaching the IMF. He managed to initially secure China Development Bank (CDB) bridging loans designed to refinance Sri Lanka's debt to China. But the policy bank soon cooled on providing additional lending to Sri Lanka, realising that Sri Lanka was insolvent and was using its loans to repay its bondholders.

Chinese rescue lending stopped in September 2021, forcing Sri Lanka to default on its external debt in April 2022. In the widespread disorder that followed the default, Gotabaya fled the country in July 2022 while China stood and watched its supposed client regime collapsing. Chinese creditors dragged their feet in subsequent debt

restructuring negotiations, making a debt deal extremely hard to reach. Sri Lanka's failure to secure financing assurances from Chinese creditors even forced the IMF to suspend its financing facility in September 2023.

India, whose lending footprint in Sri Lanka was small before the debt crisis, provided almost US\$4 billion in credit lines, deferred loans and grants in the first six months of 2022. It also led the official creditor committee, improving its diplomatic relations with Colombo at China's expense.

Chinese emergency lending to distressed sovereign borrowers has grown in response to the debt crisis, such that rescue loans now account for almost 60 per cent of the BRI. Some have argued that this shows China's intentions to compete with the US-dominated IMF in its role as

international lender-of-last-resort. In reality, China's rescue loans are clearly aiming to protect Chinese banks' interests by helping too-big-to-fail sovereign borrowers avoid default.

Since the launch of the BRI, rescue loans have only been offered to 21 countries, typically those with big debts to Chinese banks. Even in those countries, how these loans are provided indicates a drastically reduced appetite for financial risk in China compared with a decade ago. Aside from a small number of bridge loans, nearly all rescue loans are now delivered as short-term central bank swaps. Unlike earlier BRI lending, these loans are denominated in Chinese renminbi, not US dollars, reducing the risk to China from default.

Since the external debt of most distressed sovereign borrowers is largely denominated in US dollars, rescue lending in Chinese renminbi is of limited use. It could pay for Chinese imports, benefiting some Chinese companies, or be used to repay IMF loans since the Chinese renminbi is part of the IMF's special drawing rights basket. This helps countries conserve their precious US dollar reserves but is unlikely to suffice if they have large US dollar debts. Finally, China's swap loans are short-term and carry high interest rates, so China is doing borrowers no favours by partly replacing their existing debt pile with more expensive debt.

**S**O FAR, as the Sri Lanka case shows, Chinese engagement in sovereign debt restructuring does not seem to follow any reasonable interpretation of China's geostrategic interests. China's behaviour arguably stems from the fragmentation of its development financing domain and the commercial orientation of its main

PICTURE: REUTERS / JING XU



Jin Liqun, President of the AIIB, speaks at the China Development Forum in Beijing (March 2024).

international lenders—the policy banks.

Rather than being directed from the top-down, policymaking and implementation in China is often fragmented and decentralised. Many domestically focused agencies at multiple levels have internationalised as China's economy has globalised. Central ministries, provinces, state-owned enterprises, regulators, banks and law enforcement agencies now operate across borders regularly with varying degrees of coordination and control from the centre. These agencies' interests and outlooks frequently differ. As a result, China's international engagements are often incoherent or even downright contradictory.

Leaders have powerful mechanisms at their disposal to cohere and discipline subordinates, but these are activated unevenly and are not always successful. Often leaders are not sure exactly what they want and issue vague policy pronouncements, such as those of the BRI. This allows considerable scope for subordinate actors to seek to influence, interpret and even ignore central policy agendas to serve their own interests.

These dynamics play out in the international development financing domain. To explain China's engagement in debt restructuring, the outlooks and interests of China's mammoth policy banks, the Export–Import Bank of China (Exim Bank) and the CDB, are particularly important. These banks are responsible for nearly all of China's non-concessional sovereign loans, which make up the vast bulk of its overseas lending. While broadly committed to supporting the international expansion of Chinese business and the party leadership's policy goals, these banks' overall



A man walks past the IMF logo at its headquarters in Washington DC.

orientation is commercial as they are required to be self-financing.

Aside from a small contribution from the Chinese Ministry of Finance to subsidise Exim bank's concessional loans, which constitute a minor part of its lending portfolio, the policy banks are not funded through fiscal means. Rather they issue bonds that receive implicit sovereign guarantee from the Chinese government. These bonds are purchased mainly by China's state-owned commercial banks to meet their capital requirements.

Since Chinese households are largely forced to put their savings in commercial banks for low returns and have few investment opportunities available, this provides a mechanism for funnelling household savings into supporting the state sector's ventures. The policy banks receive infrequent injections of hard currency from

China's vast reserves. Their aim is to diversify China's reserves' investment and generate better returns than those derived from traditional reserve investments like US Treasury bonds.

This funding model provides China's policy banks with an enormous capacity to lend that its competitors cannot match. While Japan competes hard with China on infrastructure financing in Southeast Asia, it relies on subsidising infrastructure loans via fiscal means. This makes Japanese projects very attractive for recipient countries as they are cheap and often well built. But fiscal resources are limited, constraining the scale of Japanese operations.

On the other hand, this funding model means that policy banks are widely seen as responsible for managing their own books and are held responsible by others within

the party-state when something goes wrong. Adding to the pressure is the absence of structured processes in China for writing off bad foreign loans. To cancel loans, bank officials must approach China's State Council for case-by-case approval. They avoid this at almost all costs as it entails likely career suicide.

When problems emerge, policy banks prefer to offer debt suspension and reschedule payments, but they are highly resistant to cutting interest rates or writing off loans. Since they deal directly with debtor countries and other creditors, they can effectively turn this into China's official negotiating position. Even if asked, it is unlikely that the State Council would approve large-scale foreign debt write-offs given China's own domestic debt problem and the impact this could have on the balance sheets of the state-owned commercial banks, which hold policy bank bonds worth billions on their books.

Further rendering Chinese creditors' position inflexible is their concern about being taken advantage of by other creditors. Debt restructuring is a zero-sum game—if one creditor accepts a big 'haircut,' the debtor can use this to repay more to another creditor, allowing them to take a smaller haircut. Avoiding this collective action problem is the reason behind the creation of the Paris Club.

While much has been written about China's refusal to join the Paris Club, Chinese creditors' main competitors in debt restructuring today are not Paris Club member states. The Paris Club's lending to developing countries has stagnated since the 1980s debt crisis. Lending volumes from MDBs and bondholders to developing countries far exceed China's, having increased rapidly over the decade after the global financial crisis—an era described as an

'age of choice' for sovereign borrowers. Neither MDBs nor bondholders have historically shared the burden of restructuring equally with official creditors, raising the stakes for loss-averse Chinese banks.


**A**CCORDING to the established debt restructuring process, MDBs are completely excluded from restructuring negotiations to protect their AAA credit rating. Chinese officials have insisted that MDBs also carry a share of the restructuring burden, arguing there was precedent for this in the Multilateral Debt Relief Initiative of the mid-2000s. They have had limited success due to resistance from Paris Club governments, MDBs and even from some debtor governments. While Exim Bank relented in Zambia, paving the way for an agreement with official creditors in June 2023, Chinese officials made it clear this would not automatically apply to other debt-distressed countries.

Bondholders have typically also benefited from far better restructuring terms than official creditors. From 1979 to 2006, official creditors took an average haircut of 60 per cent in debt restructuring agreements, compared to private creditors' 40 per cent. When it came to the world's poorest countries, official creditors took an 80 per cent haircut, while private creditors' haircut remained 40 per cent.

Several recent examples show that this pattern endures. In Zambia, bondholders got such a great deal from the government in late 2023 that Exim Bank decided to renege on its earlier debt restructuring agreement, leaving the process in limbo, until a new, more equitable, agreement was worked out in March 2024. Perhaps for the first time, Chinese pressure

led the Paris Club to apply its avowed 'comparability of treatment' principle to private creditors.

Had Chinese development financing been part of a deliberate geostrategic plan, it is possible that sovereign borrowers would have now been offered a better deal from Chinese creditors. As things stand, China's position in debt restructuring negotiations is shaped by the interests and worldviews of its lenders—notably the big policy banks—due to the fragmentation of its international development financing governance. They are mainly concerned with being repaid and have only limited interest in wider diplomatic and geopolitical agendas. They are also worried about unfair burden-sharing with other major creditors—MDBs and bondholders.

Domestic processes in China must change to allow banks to write down bad debt more easily and traditional donor governments, notably the United States, must agree to include MDBs in debt restructuring and pressure bondholders to accept their fair share of debt relief. If not, the sovereign debt restructuring stalemate will endure to the detriment of debt-distressed countries and their societies. 

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# Turning the idea of the Indo-Pacific into reality

AMITAV ACHARYA

**A**SIA' was built by nationalists, the 'Asia Pacific' by economists, 'East Asia' by culturalists and the 'Indo-Pacific' by strategists. To endure, the Indo-Pacific architecture will have to

become more inclusive, multilateral and non-hegemonic. The idea of 'Asia' in the modern era was anchored on pan-Asianism. Earlier, Western imperial powers, Britain in particular,

had called the region the 'Far East'. But Asian leaders wondered: 'far from where? east of what?' and coopted Asianism as a new identity.

While Japanese imperialists used the term to exclude Western powers, India's first prime minister Jawaharlal Nehru, former Chinese president Sun Yat-sen and Japanese scholar Okakura Kakuzo promoted it as a cultural and anti-imperialist construct.

India's efforts to lead pan-Asianism by convening two Asian Relations Conferences in 1947 and 1949 in New Delhi and establish a permanent political organisation—the Asian Relations Organization—petered out after the 1962 China–India war.

Since then, the Asia Pacific idea has taken off. This occurred with the creation of a number of economic forums, such as the Pacific Basin Economic Council (1967), Pacific Trade and Development Conference (1968) and Pacific Economic Cooperation Council (1980). Economists, businesspeople and academic and think tank policy experts played the key roles in these forums. In 1989, governments stepped up by establishing APEC. In 1994, the ASEAN Regional Forum—the first Asia Pacific multilateral security group—was established in Bangkok. But neither APEC or the ASEAN Regional Forum were founded on shared culture and identity.

That changed with the 1997 Asian financial crisis, when the Asia

PICTURE: MAST IRHAM / POOL VIA REUTERS



China's Premier Li Qiang arrives at the ASEAN Summit in Jakarta (September 2023).

Pacific idea was challenged by a turn towards East Asian regionalism. This was prompted in large part by resentment against the United States for its unwillingness to help crisis-hit Southeast Asia and its heavy-handed rejection of Japan's Asian Monetary Fund initiative.

East Asia cooperation took on a culturalist undertone when analysts called it 'East Asia minus the Caucasians'—or for that matter the Indians. The 2001 report of the East Asia Vision Group, set up by then South Korean president Kim Dae-jung, described East Asia as 'a distinctive and crucial region,' and called for 'fostering the identity of an East Asian community' based on 'shared challenges, common aspirations and a parallel destiny'. Interestingly, these were almost the exact words in Chinese President Xi Jinping's idea of a 'Community of Shared Destiny'.

Another East Asia group emerged in 1997, when Japan, China, South Korea and ASEAN set up ASEAN+3 to foster financial cooperation, leading to the Chiang Mai Initiative in 2000—a bilateral and multilateral currency swap system.

Yet when the East Asia Summit held its first meeting in Kuala Lumpur in 2005, India, Australia and New Zealand were allowed to join despite China's objections, as Indonesia, Japan and Singapore sought to balance China with the participation of other powers. The United States and Russia joined the group in 2011. Here, security attempted to trump identity.

Unsurprisingly, the East Asia Summit was stymied by US–China rivalry. At this juncture, the Indo-Pacific idea came into vogue. The term was not new; a 2007 paper on India–Japan security cooperation by a retired Indian naval officer, Gurpreet Khurana, gave it contemporary

policy prominence. But the term was initially sidelined in US policy, which under then president Barack Obama was promoting 'rebalancing' or 'pivoting'. But his successor president Donald Trump dumped the 'pivot' and embraced the Indo-Pacific, and President Joe Biden has continued this embrace.

**R**EGIONS are not named purely based on geography but are often shaped by strategic, economic and cultural drivers. Thus, regions are not permanent entities and their names and boundaries change. India, Ceylon (now Sri Lanka) and Pakistan—now considered South Asian states—were members of a group called the Conference of South East Asian Prime Ministers, which officially sponsored the 1955 Bandung Conference, along with Indonesia and Burma (now Myanmar) in the 1950s.

The Indo-Pacific is a particularly fragile idea. If it is not just two huge oceans, it is a region that encompasses more cultural diversity than Southeast Asia or East Asia but has economic links within the region that are also weaker than those in the Asia Pacific or East Asia.

India is not well integrated into East Asia nor the trans-Pacific production networks that were crucial to the Asia Pacific idea. New Delhi is not an APEC member and pulled out of the Regional Comprehensive Economic Partnership (RCEP) negotiations out of concern of competition with China as well as deep internal vested interests that resisted opening up the economy. India's interest in the Indo-Pacific idea owes to security considerations—especially to counter China—geopolitical flattery and to achieve a geopolitical prominence that it cannot enjoy in the Asia Pacific or East Asia constructs.

While the Asia Pacific and East

Asia are anchored on multilaterals—such as APEC, the ASEAN Regional Forum, the East Asia Summit—the Indo-Pacific rests on minilaterals, such as the Quadrilateral Security Dialogue. The Indo-Pacific Economic Framework, promoted by the United States, is another minilateral. The Indo-Pacific idea lacks the support of a vibrant track II community, like the Pacific Economic Cooperation Council or the Council on Security Cooperation in the Asia Pacific.

ASEAN has been relegated from being in the 'drivers' seat' in the Asia Pacific to the 'passenger's seat' in the Indo-Pacific. The ASEAN Outlook on the Indo-Pacific is a limited response out to avoid being sidelined by the Quadrilateral Security Dialogue.

The Indo-Pacific suffers from an aspirational gap—between the US idea of 'free' and 'open,' terms meant to isolate China, and the China 'inclusive' vision of Indonesia and the ASEAN Outlook on the Indo-Pacific. This leads to vastly competing visions of the Indo-Pacific idea.

These considerations are cause for caution. The historical Indian Ocean region before the arrival of European imperial powers was a thriving commercial and cultural region that no one country dominated but everyone benefited from. The future of the Indo-Pacific idea could learn from that experience. **EAFQ**

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Pedestrians walk through Tokyo's Shinjuku district, which is known as Tokyo's Korea Town.

## Japan's multiculturalism fails to keep pace with rising migration

CHRIS BURGESS

**T**HE question of who is and who is not Japanese was highlighted when Ukrainian-born Karolina Shiino was criticised for 'not [being] Japanese enough' when she was chosen as Miss Japan 2024. Shiino moved to Japan at the age of five and became a naturalised Japanese citizen in 2022. In a moving speech, she spoke about how grateful she was for finally being recognised as Japanese after facing racial barriers and non-acceptance. She also spoke of her hope to build a society that respects diversity.

Japanese society is diversifying at a rapid rate. While the general

population continues to fall and age, the foreign population reached a record 3.2 million in June 2023 with the number of foreign workers exceeding more than 2 million for the first time in October 2023.

Growing labour shortages have seen the government make unprecedented efforts to lift migration, starting with a new Specified Skilled Worker (SSW) system in 2019, marking the first time Japan has officially accepted blue-collar workers. The scheme consists of two visa types, SSW1 and SSW2. The latter allows workers to bring their families and to stay permanently

in Japan. The government greatly expanded the number of fields covered by the SSW2 in August 2023.

The government is also finalising plans to abolish the Technical Intern Training Program and replace it with a new three-year training and employment program that will allow for job mobility—forbidden under the old system—and a smoother path to transition to the five-year SSW1. It has also decided to more than double the five-year SSW quota, as well as add four new areas to SSW1. As long as applicants pass language examinations and meet other requirements, foreign



workers will be able to work in Japan for up to eight years, with the possibility of permanent stay if they achieve SSW2 status. In other words, Japanese society will have to prepare for an unprecedented influx of foreign workers and, potentially, their families under these arrangements.

What measures, then, is Japan taking to, in the words of Shiino, 'build a society that respects diversity'?

Since the 1990s, localities with large populations of non-Japanese people have taken the lead in promoting Japanese-style multiculturalism, known as 'multicultural co-existence'. But the government has been slow to develop national support systems. It was only after a coalition of cities

published the Hamamatsu Declaration in 2001, demanding the government create a coherent integration policy, that a national action plan was finally published—the 2006 Plan for the Promotion of Multicultural Community Building.

This was followed by the 2018 Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals, the 2019 Law on the Promotion of Japanese Language Education and a 2020 revision of the original 2006 Plan. The latter, for the first time, encouraged foreign residents to become active participants and leaders in local communities. The problem was that most of these moves contained little in the way of concrete

measures, leaving the details and implementation up to the localities.

Mirroring the Hamamatsu Declaration 20 years earlier, in 2021, Nagano's prefectural assembly called for the national government to pass a Basic Law on Multicultural Coexistence in order to establish 'a clear national policy to accept foreign residents.' The following year, the government announced a five-year Roadmap for the Realisation of a Society of Harmonious Coexistence with Foreign Nationals. This, perhaps for the first time, created a long-term vision of an 'inclusive society where foreigners can play active roles.' Nevertheless, as with previous national government measures, this was big on goals and short on specifics.

Japanese-style multiculturalism is a non-integrative policy that provides services to 'others' in need of assistance but disempowers them by failing to foster the skills and abilities they need to access resources equitably and become fully-functioning, independent members of society. Concerns over the lack of support infrastructure for new foreign residents were prominent during the passage of the 2019 immigration reforms, specifically the under-developed nature of Japanese language education, poor multilingual support and consultation services (including medical interpretation), limited rental accommodation and weak support in times of disaster—something the COVID-19 pandemic highlighted.

Since then, some concrete measures have been taken, such as establishing one-stop consultation centres for multicultural information and assistance and various reforms related to Japanese language education including a new national qualification for teachers. But none of these changes seriously challenge Tessa Morris-

PICTURE: KAZUKI OISHI / SIPA USA



Ukrainian-born model Karolina Shiino poses at the 56th Miss Japan Grand Prix (January 2024).

Suzuki's 2002 description of Japanese-style multiculturalism as 'cosmetic'.

By this, Morris-Suzuki meant a policy that on the surface 'celebrates' diversity but, in reality, tightly regulates and maintains difference as exterior, ensuring that it never threatens Japanese-ness itself. Kikuko Nagayoshi's research supports this idea, showing that Japanese-style multiculturalism actually reinforces ethno-national identity and a belief in Japanese uniqueness.

**S**UPPORT for the argument that Japanese-style multiculturalism is cosmetic—that is, very different from the multiculturalism found in migrant countries such as Australia, the United States or Canada—comes from Queen's University's Multiculturalism Policy Index for Immigrant Groups. In evaluating multiculturalism policies related to immigrant minorities, the index uses eight indicators. These include government affirmation, school curriculum, ethnic media, dual nationality, mother-tongue instruction and affirmative action.

Unsurprisingly, a key finding was that the countries with the largest growth in the size of immigrant minorities from 1980 to 2020 were also the countries that strengthened their multicultural policies. Japan, however, bucks this trend, with its score remaining at zero despite a significant increase in the foreign population since the 1980s. In contrast, Australia was given full marks for each criterion, a big change from 1960 when it only satisfied one of them (dual nationality).

As the change in the multicultural policy score shows, Australia has not always been a country with strong multicultural support policies. The 1901 Immigration Restriction Act—colloquially known as the White Australia policy—was founded on

an ideology of ethnic homogeneity, but postwar labour shortages and a reduced population saw the introduction of a new slogan, 'populate or perish', to help convince Australians of the need to accept more migrants from a broader range of countries.

The White Australia policy was not dismantled overnight. But by the mid-1970s, it had finally come to an end, as evidenced by the 1975 Racial Discrimination Act, the establishment of multilingual broadcaster SBS in 1978 and the establishment of the Australian Institute of Multicultural Affairs in 1979—all of which Japan still lacks. Today, 'populate or perish' might be a more suitable slogan for Japan. Australia could serve as something of a model in terms of how to transition from one system to another, providing lessons on the importance of developing multicultural support policies in tandem with the growth of a diverse migrant population.

Since securing human resources is so crucial for Japan's future, it is imperative to understand why Japan isn't doing more, following the Australian pattern, to build multicultural support policies and infrastructure to integrate the increasing number of newcomers. The simple answer is a deeply ingrained ideology of homogeneity that sees the Japanese as a homogeneous people who constitute a racially unified nation.

These systems of belief play a key role in the construction and maintenance of national identity, Japanese social reality and Japanese public policy. Their role in structuring Japanese identity, defining who is and is not Japanese, is particularly important since the result is a sharp 'us' versus 'them' binary that places non-Japanese people in diametric opposition to Japanese people—as

the Miss Japan case highlighted. This focus on separation and exclusion—the management and control of difference—underlies what we may call a 'no-immigration' principle, an institutionalisation of the 'homogenous people' paradigm.

Japan is a 'no-immigration' country, rather than simply a 'no-low-skill immigration' country, since the ethno-nationalistic discourse has acted as a consistent barrier to the social integration of all newcomers. This prevents the development of proper multicultural support infrastructure. The most obvious evidence for this is the government's insistence—repeated during the 2019 reforms—that Japan does not have an immigration policy and that foreign workers are not immigrants.

The new SSW2 system—which ostensibly allows for indefinite stay, albeit with regular renewals—might suggest the beginning of a dismantling of the ideology of homogeneity. In reality only a handful of migrants, 37 as of December 2023, have satisfied the strict conditions that allow award of SSW2 status. By framing foreigners as guest workers or disposable labour there is no need to develop 'migrant'

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Since the 1990s, localities with large populations of non-Japanese people have taken the lead in promoting Japanese-style multiculturalism

infrastructure—because Japan does not in principle accept ‘migrants’—leaving support, or lack of it, up to local actors.

Public opinion surveys reveal a similar disconnect between views on migration and multiculturalism. Japanese people are increasingly open to accepting foreign workers, for the sake of the economy, while at the same time remaining unenthusiastic about integrating or mixing with them. In a 2019 *Yomiuri Shimbun* poll, 57 per cent of respondents agreed with the expansion of foreign workers. At the same time, 40 per cent felt resistance to working together with foreigners, while 53 per cent felt resistance to foreigners living in their neighbourhood.

Such attitudes are reflected in the daily living experience of foreign residents. In 2017, the first ever national government survey on discrimination found that almost 40 per cent had been refused housing, 25 per cent had been denied employment, and nearly 30 per cent had experienced racial or discriminatory remarks in the past five years.

Negative attitudes are even stronger towards Chinese residents who, at 24.5 per cent of the total, make up the largest group of foreign residents. A July 2023 Pew Research Survey found 87 per cent of Japanese had a negative view of China, the highest towards any country in the survey. This was before China began a ban on Japanese seafood in August 2023. A more recent domestic survey found 92 per cent of Japanese had a poor impression of China, the second-highest since the survey began and the most negative since 2014.

While attitudes towards the Chinese government are not necessarily the same as attitudes towards Chinese migrants, they are interconnected. In

a November 2023 speech in Canberra, Liberal Democratic Party Vice President Taro Aso justified Japan’s strict immigration policies by arguing that opening the door to migration could lead to an influx of Communist Party agents.

**C**LEARLY, Japan has resigned itself to accepting more ‘foreign workers’ but has no stomach for labelling them as ‘migrants’. That would require building a proper migration policy with all the support infrastructure—and challenges to Japanese identity—that would entail.

The result is what Ghassan Hage, using the Australian experience, refers to as the dialectic of inclusion and exclusion. That is, economic inclusion in the workplace, using a guest-worker type system coupled with sociopolitical exclusion, where migrants are symbolically kept foreign within the nation. What this means is that however long one has lived in Japan, one is never a ‘migrant’. Someone who stays long-term and becomes an integral part of the society is still seen as a ‘foreigner’ who will one day return ‘home’. To change this, entails challenging the definition of Japanese-ness itself.

*The Washington Post* published an article in February 2024 titled ‘Baseball is Proving the Power of Immigrants’. Coming across such a headline in a mainstream Japanese newspaper remains highly unlikely. First of all, the word migrant or immigrant is largely taboo, with ‘foreign worker’ or ‘foreigner’ the label of choice. Moreover, the current and potential contributions migrants can make to Japanese society are rarely discussed. In contrast, *The Washington Post* article, taking aim at the growing anti-migrant debate in the United States, highlighted how foreign-born

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Public opinion surveys  
reveal a similar  
disconnect between  
views on migration  
and multiculturalism

players have enriched and rejuvenated both baseball and society in general, concluding that industries and economies thrive by inclusion, not exclusion.

Only when Japanese policymakers—and the public in general—appreciate this point will definitions of who is Japanese begin to change and foreign-born citizens can begin to feel accepted and valued in Japanese society.

There are some signs of change. The selection of Shiino as Miss Japan demonstrated a loosening and diversification of the category ‘Japanese’, as does the contribution and dynamism of second-generation migrants.

Still, without Australian-style systemic top-down reform—such as changing the law to allow dual nationality, passing a racial discrimination act, establishing a national ethnic broadcaster, setting up a national multicultural institute and cabinet level agency, and creating a proper migration policy—this will be a slow process. The result will be multicultural support policies that increasingly fail to keep pace with rising migration. **EAFO**

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# National education policy attempts to address poor learning outcomes

YIFEI YAN

**U**NLIKE some of its neighbours, India has long neglected its primary and secondary education sector. While progress has been made towards achieving universal education since the 1990s as the neglect got substantially remedied, learning outcomes still remain poor and quite uneven between government and private schools as well as across different states and regions and

socioeconomic circumstances. For example, even in as late as 2018, nearly half of grade five students in rural areas could not read grade two-level materials, and less than one-third could do basic division. Education quality and equity is further hindered by issues like teacher absenteeism and a rigid curriculum that prioritises rote learning and benefits students with higher academic achievement.

Given how widespread and multifaceted these problems are, their solutions need a comprehensive and systematic approach. The Indian government's National Education Policy (NEP), launched in 2020, offers refreshing ideas, particularly in terms of integrating different stages of schooling and supporting key stakeholders to achieve educational improvements.

PICTURE: ANI PHOTO



A senior student dressed as a teacher instructs junior students on the eve of Teachers' Day at a higher secondary school in Agartala, Tripura.

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The NEP's controversial reception at the state level is not only an issue of political capacity, it also reflects a deficit in policymakers' operational capacity

More than three years since its release, the NEP's ambitious policy prescriptions are gradually reaching Indian schools on the ground. But analytical, operational and political gaps must also be addressed for the NEP's vision to be realised fully.

Compared to its predecessor which was issued more than three decades ago, the NEP makes more coherent connections among different stages of school education with children now taught across four schooling levels—foundational, preparatory, middle and secondary. Within this new structure, the preschool level is embraced as an integral component of foundational education—reflecting the realisation of the importance of early personal development for a child's schooling journey. This more integrated schooling structure is expected to better facilitate the coordination of policies for specific schooling stages to ensure that graduates from the previous stage are ready for the next.

Another feature of the NEP is the recognition that 'no stage [of school education] will be considered more important than any other'.

Important as this recognition is, it is unconventional, especially given India's long-prevailing 'vertical' career path for teachers, where promotion means being 'upgraded' from teaching in primary schools to teaching in secondary and senior secondary schools.

Complementing this broad vision, the NEP highlights that 'all stages of school education will require the highest-quality teachers'. It specifies how teachers shall be supported in terms of their service environment, working conditions, professional development and career progression.

While this vision reflects growing international acknowledgement of the importance of empowered and effective workforces, it is unusual in India, where bureaucracies and public servants are often blamed for poor public service delivery. As negative perceptions of teachers are particularly shaped and strengthened by teacher absenteeism, policies usually seek to tighten teacher accountability through the introduction of contract teachers, check-in cameras and school monitoring.

The NEP is similarly committed to supporting students across their entire schooling. While the need to ensure universal access continues to be underscored, the NEP has also attached great importance to foundational literacy and numeracy skills. This aims to tackle widely reported learning deficits.

These ambitions for improving student learning outcomes are put forward without neglecting or compromising students' learning experiences. Instead, the policy has set out multiple paths for a diverse, flexible and inclusive curriculum to enable the holistic development of students. The National Curriculum Framework for School Education,

released in August 2023, is expected to be an essential tool for standardisation and benchmarking. Yet the NEP has also created space for the curriculum to cater to local contexts and frontline curriculum needs.

Despite this and other positive developments at the federal level, the NEP's implementation has faced intense resistance from states such as Karnataka, Tamil Nadu and Bihar. In other words, although there is strong political commitment at the top, the ability to communicate and coordinate with state governments has fallen short.

The NEP's controversial reception at the state level is not only an issue of political capacity, it also reflects a deficit in policymakers' operational capacity. Apart from expecting the states to assume responsibility for tasks ranging from curriculum development to teacher support, little clarification is provided in the NEP on the resources and support that state governments can expect from the central government to help them effectively carry out these functions.

The NEP is also troublingly vague on the design of policy instruments that will encourage a shift away from 'vertical' teaching career paths, achieve learner-centred and curiosity-driven pedagogy or facilitate sharing of best

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practices between public and private schools.

These deficits point to an urgent and more fundamental need for both central and state governments to fill in the gaps regarding their analytical capacity. For instance, the usefulness and relevance of national-level datasets for policymaking have been hampered by discrepancies in definitions and estimation methodologies. At the state level, research has also highlighted how the official data on standardised assessments can

overestimate the levels of student learning. Such shortfalls in data, if left unrectified, will make it difficult to advance the NEP's policy goals. Similarly, to support the launch of a tailored curriculum, policymakers and education officials must also improve their capacity to determine the current status and identify gaps in teacher recruitment and preparation for new subjects.

Without corresponding policy efforts to address these gaps and strengthen capacity, a solution that

is lauded as having great promise for making India 'a global knowledge superpower' risks falling short of expectations. **EAFO**

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## GOOD NEIGHBOURS

# India's regional challenges

AMIT RANJAN

**I**NDIA'S policy towards its South Asian neighbours has been a product of big shifts in the global and regional political order in Asia and political developments across the region. While changes in New Delhi's policies have aimed to solidify and maintain India's position in South Asia, India faces big challenges—both of its own making and stemming from external factors—in its territorial backyard.

Postcolonial Indian leadership continued to keep the country's influence intact in South Asia. New Delhi, after weighing the options, followed realist or idealist policies to serve its interests. During the early years of independence, New Delhi signed friendship treaties with Afghanistan (1950), Nepal (1950) and Bhutan (1949) to maintain close political ties with its neighbours. But

political bitterness due to partition related communal violence and unresolved territorial questions led to the India–Pakistan war over Kashmir in 1947–48.

In changed circumstances, India and Pakistan signed the World Bank-mediated Indus Waters Treaty and engaged in five rounds of talks in the 1960s to resolve the Jammu and Kashmir issue. That didn't prevent the two countries entering another war in 1965. New Delhi also engaged with Sri Lanka to resolve Tamil citizenship-related matters. In 1971, India extended help to Bengali fighters under the leadership of Sheikh Mujibur Rahman that eventually led to the liberation of East Pakistan and the birth of Bangladesh.

In 1977, the Janata Party formed India's first non-Congress government and called for deeper engagement with

India's neighbours. Ten years later, in 1987, the Indian Peace Keeping Force landed in Sri Lanka to help resolve the civil war, but New Delhi's main objective was to keep other foreign actors away from Colombo's affairs. Indian forces also carried out 'Operation Cactus' in the Maldives to protect former president Maumoon Abdul Gayoom's government from the attempted coup in 1988.

The end of the Cold War in 1991 saw the emergence of a unipolar world. In the early days of the post-Cold War era, India adopted new economic policy based on a liberal-capitalist model and restructured its ties with the Western world. For South Asia, in 1996, India announced the Gujral Doctrine, which called for India to seek no reciprocity for helping countries such as Nepal, Maldives, Bangladesh and Sri Lanka.



It also called on South Asian countries to respect each other's territorial sovereignty and not interfere in the internal matters of others. The Gujral Doctrine sought, as Gujral later wrote, to establish 'total peace' with India's neighbours so that it could contain the influence of Pakistan and China in the region.

The effect of growing Chinese influence preoccupied successive Indian governments who tried to improve ties with its South Asian

neighbours, including Pakistan, though efforts to mend ties with Islamabad had repeatedly failed.

In 2014, Indian Prime Minister Narendra Modi invited leaders from all South Asian countries to his swearing in ceremony. The Modi government unveiled its 'Neighbourhood First' policy emphasising security, economics, culture and people-to-people contact. This commitment was backed by attempts to strengthen India's regional foreign relations.

Modi's first foreign trip as Prime Minister was to Bhutan, and in 2015 the Indian parliament ratified the 2011 Land Boundary Agreement between India and Bangladesh. In 2014 Modi was the first prime minister to visit Nepal after a gap of 17 years. India also provided assistance in developing the Maldives' civil infrastructure when Ibrahim Mohamed Solih was president and provided much needed aid to Sri Lanka in 2022 when it was battling severe economic crisis.



PICTURE: SUVRA KANTI DAS / ABACAPRESS

Activists of the Islami Andolan Bangladesh party protest against alleged water aggression by India towards Bangladesh (Dhaka, 2022).

**D**ESPITE these ties, South Asian nations remain suspicious of India's political motives.

China's influence in South Asia is seen as India's foremost challenge. Soon after New Delhi's defeat in the 1962 China–India war, some of India's neighbours made a beeline for Beijing to balance Indian power. Since then, China has gradually strengthened its position in almost all South Asian capitals. Amid China's increasing economic and political footprint in South Asia, India's neighbours routinely use the 'China card' in dealing with New Delhi. Until now, Bhutan has been the only country outside of China's political radar. Thimphu and Beijing are now engaged in serious talks to resolve their boundary disputes and differences.

More recently, New Delhi has faced challenges in South Asia because of its mishandling of major political developments in the region. New Delhi's six-month blockade of Nepal in 2015–16 to support the Madheshi people's protests against provisions in Nepal's new constitution and the inclusion of Nepal's Kalpani region in an updated map of India released in 2019 created ripples in ties with Nepal.

The India–Bangladesh relationship faces a number of issues including protests in Bangladesh over the

National Register of Citizens exercise carried out in the Indian state of Assam, the 2019 Citizenship (Amendment) Act, the movement of people and cattle across their boundary and the inconclusive Teesta Water deal.

An 'India Out' campaign simmers amid allegations of Indian interference in the Bangladesh's general election in 2024 to keep Prime Minister Sheikh Hasina in power. With President Mohamed Muizzu favouring China over India and continuing to pursue his anti-India electoral campaign in office, New Delhi's ties with the Maldives have plummeted.

And Modi's initial attempts to engage with Pakistan have proven unsuccessful. In 2019 Islamabad–New Delhi ties reached a new low after New Delhi revoked the special status of Jammu and Kashmir. Some of India's neighbours were taken aback over the united India (Akhand Bharat) mural unveiled in May 2023 in New Delhi's new parliament building.

Despite the challenges it faces, India has a strong presence in South Asia. But New Delhi must not take its neighbours for granted. To remain a regional leader, New Delhi needs to refrain from meddling in the internal affairs of neighbouring countries unless they threaten its core national interests. New Delhi should take responsibility for leading—not policing—the region and become more conscious of its regional identity. Hyper nationalistic and xenophobic views expressed by many Indian social media users among other things imperil India's ties with its neighbours.

EAFQ

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# India moves from straddling fences to standing tall

KAUSH ARHA

**I**N A reflection of the nation's growing assuredness, India's foreign policy is transitioning from hedging its bets and playing to all sides to a more purposeful goal of creating a free and open Indo-Pacific with like-minded nations. The deepening US–India partnership affords India greater agency—emboldening its strategic autonomy, independence and scope of operations.

Prime Minister Narendra Modi is expected to win his third consecutive national election. The continuity of Modi's administration, with a respected external affairs minister and national security apparatus, has been a strong catalyst for a more assured and ambitious Indian foreign policy.

India under Modi is pursuing three broad and reinforcing objectives. First, to sustain a high economic growth rate to become the third largest economy by the end of the decade. Second, to develop unassailable deterrence capabilities along the length of its land borders and become the dominant naval power across the Indian Ocean. Third, to use its own brand of hard and soft power to become a leader of the Global South.

In seeking to achieve these goals, India is emerging from a young republic's natural caution towards alliances not of its own founding. The

United States' founding father, George Washington, preached circumspection against European entanglements. As the United States grew, so did its interests and commitments. India is experiencing a similar reality in pursuit of an interest driven global strategy that advances its proximate and general interests through advantageous partnerships.

In his second address to the US Congress, Modi refrained from heeding to the hesitations of history, instead emphasising the India–US bond with a promise for global good. Since India's independence in 1947, its relationship with the United States has had its ups and downs, but over the past two decades the two nations have enjoyed a steady convergence of national interests. Modi was keenly aware that he was in exalted company in being accorded the privilege to address the US Congress twice. The others including Churchill and Rabin were able to mobilise their nation's relationships with the United States to enhance their country's global standing and military and economic capabilities.

The Modi administration has pursued an increasingly *realpolitik* approach to its strategic partnerships. India's strategic autonomy and scope of operations has also greatly



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As India strives to become a world leader, it will face more demands ... to be both a strong, independent nation and a reliable and trusted ally

expanded. On the sidelines of the 2023 G20 Summit in India, the United States and India advanced their deepening partnership after resolving a longstanding trade dispute. They pledged to co-manufacture jet engines, chip foundries and new-age telecommunication systems in India. The breadth of the India-US partnerships may see it become India's most consequential bilateral relationship of the early 21st century.

India has also emerged as a solid champion of the Quadrilateral Security Dialogue. This has been a strong catalyst for deepening India's bilateral ties with Japan and Australia.

It has also buttressed India's outreach to the ASEAN community.

Modi has forged unprecedentedly strong relations with Middle Eastern nations, including the United Arab Emirates, Saudi Arabia and Israel. This constitutes a stepping stone towards its growing commercial and political ties to Mediterranean and European countries. On 10 March India inked trade pacts with Norway, Switzerland, Iceland and Liechtenstein and it is negotiating trade agreements with the United Kingdom and the European Union.

India's growing outreach led to the launch of the India-Middle East-

PICTURE: ANI PHOTO



Prime Minister Narendra Modi, US President Joe Biden and UK Prime Minister Rishi Sunak walk ahead of G20 leaders at Raj Ghat, New Delhi (September 2023).



Europe Economic Corridor at the 2023 G20. This Economic Corridor could be a strong alternative to China's Belt and Road Initiative as a multilateral initiative with strong economic and political fundamentals but without any one nation dominating the effort.

Strategic partnerships with G7 nations offer India a wider canvas in world affairs in persuading the Global South that their interests are better served by seeking greater representation within existing institutions than by joining alternative ones beholden to autocratic China.

India is strengthening these relationships while maintaining a facade of fraternity with Russia. India cannot afford for all its major neighbours abutting its northern borders to be adversary. While a close relationship with Russia, even if symbolic, offers a useful counterpose

to China and Pakistan, India is rapidly reducing its dependence on Russia for its defence systems and energy.

One of India's longstanding objectives is to gain a permanent seat on the United Nations Security Council. China's persistent opposition presents an intractable barrier. But it is in the United States' and European countries' interests to welcome India to the G7 to ensure that the group is more inclusive and representative of the global economy. The OECD would also benefit from India's presence. As India's economy grows, so will its obligations to be a reliable and responsible contributor to a rules-based global economy.

India's ascendance towards its 'rightful place' among the world's nations goes hand in hand with a realisation that strong reciprocal alliances reinforce, not weaken, a

nation's autonomy and options. As India strives to become a world leader, it will face more demands—to be both a strong, independent nation and a reliable and trusted ally. Valuing strategic autonomy and being a dependable ally are not contradictions but are reinforcing virtues of a strong nation. The United States, United Kingdom, Japan and Israel all value and exercise strategic autonomy while taking pride in their alliances. India's evolution from straddling fences to standing tall appears to be heading in the right direction. **EAFQ**

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## HINDU NATIONALISM

# Plurality under BJP dominance

ARUN SWAMY

**I**NDIA is one of the most diverse polities in the world, containing cross-cutting socio-cultural divisions based on religion, caste, language and region. The once-dominant Indian National Congress (INC) party viewed this diversity as a source of pride, championing 'unity in diversity'. Today's ruling Bharatiya Janata Party (BJP) champions a different nation-building strategy, downplaying diversity and emphasising a common subcontinental heritage of Hinduism.

The most obvious impacts of this Hindu nationalist approach have been felt by India's religious minorities, particularly adherents of Islam. But the ideological shift affects all parts of Indian society.

For the BJP, India's plurality is a source of division and a threat to security, while unity or *sangathan* is a prerequisite for national revival after centuries of foreign Muslim and European domination. The BJP has two strategies for achieving

*sangathan*—scapegoating religious minorities, particularly Muslims, and overcoming internal divisions among Hindus.

The increasingly precarious situation of India's large Muslim minority is the most visible consequence of the BJP's nation-building strategy. While animosity towards Muslims is not new, it has grown significantly over the past 35 years along with the BJP's expansion.

This expansion began in the

1980s, aided by three actions by Rajiv Gandhi's INC government. The first was the decision to commission two teleserials based on the Hindu epics, which gave Hindu nationalism a popular vocabulary. The second was the reversal of a supreme court ruling that mandated the payment of spousal maintenance to a Muslim woman, in defiance of Muslim law. The third involved allegations of government influence in a case involving an obscure religious site at Ayodhya, where a mosque built by the first Mughal emperor Babur was claimed by some as the site of a temple commemorating the birth of the Hindu deity Rama.

BJP leader Lal Krishna Advani seized on these issues, calling for the implementation of a uniform civil code and launching a multi-state march to claim the Ayodhya mosque site for a temple complex to Rama. The campaign culminated in the mosque being torn down by a mob on 6 December 1992 and the construction of the Ram temple complex from 2020.

The opening of Ram temple in 2024 was celebrated on a grander scale than India's 2023 moon landing. Telecast worldwide for the Indian diaspora, the ceremonies featured Prime Minister Narendra Modi consecrating the temple and making a personal offering to Rama with scores

of celebrities on hand to witness. Those who questioned the propriety of so brazenly trampling on a minority community's sentiments and heritage were few and the opening capped a decade of scapegoating Muslims—from allegations of cow slaughter to an immigration law that threatened to deport Muslims and the dismantling of India's only Muslim-majority state.

Inevitably, there is now talk of reviving the controversial 'uniform civil code', to replace the practice of laws specific to different religious communities. While the principle is defensible, in practice it is a red flag for conservative Muslims and a rallying cry for Hindu nationalists.

PICTURE: REUTERS / MUKESH GUPTA



A Hindu priest walks past paramilitary troopers guarding a mosque as Muslims offer Friday prayers in the northern Indian town of Ayodhya (October 2010).

Most provocatively, perhaps, the government has announced the implementation of the 2019 Citizenship (Amendment) Act, which fast-tracks citizenship to Hindu, Sikh, Buddhist, Jain, Parsi and Christian refugees from Pakistan, Afghanistan or Bangladesh but excludes Muslim refugees.

Muslims, of course, are not India's only religious minority. Attacks on Christians have increased in frequency in recent years, spreading to churches and their clergy. The main historical grievance against Christians involves proselytising and conversion, which Hindu nationalists view as a threat to Hindu numbers. Similarly, while non-proselytising Sikhs and Parsis experience no animus from Hindu nationalists, certain Buddhist communities who seek converts from low-caste Hindus do.

**A**MONG Hindus, division through caste is also a potential threat to the BJP's vision of *sangathan*. This can refer to two different categories—the four ranked *varnas* (Brahmin, Kshatriya, Vaishya, Shudra) and locally specific *jatis*, endogamous occupational groups. Politically, the latter are more significant. In the past two centuries, many *jatis* have combined into large caste clusters, seeking political clout and better educational and economic opportunities. After independence, preferential quotas in legislatures, government jobs and educational institutions for the most deprived *jatis*—the Scheduled Castes (SCs)—led many relatively disadvantaged communities to seek additional quotas for Other Backward Classes (OBCs).

In the 1980s, parties championing OBCs became an electoral challenge to the BJP and Hindu consolidation was deemed necessary to counter

the preponderance of OBCs in most states. The division of OBCs by the BJP was achieved by supporting targeted quotas for Most Backward Classes and creating a new category of 'economic backwardness' for poorer members of higher status communities.

At the same time, the BJP's vision of a resurgent, homogenised and notionally caste-free Hinduism proved ideologically attractive to many members of less advantaged castes. The Ram temple movement and the prime ministership of Modi, himself a member of an OBC, contributed to this.

But in 2023, Bihar, one of the poorest states in the country, held a caste census—the first since 1931 to ask about castes other than SCs. The census was conducted with the express purpose of expanding OBC quotas, an outcome which could threaten the BJP's OBC strategy if it spreads to other states.

Like OBC quotas, linguistic and regional cleavages are about political opportunity as much as identity. Riots rocked India in the 1950s and 1960s over demands to redraw state lines to match linguistic communities and proposals to replace English with Hindi as the language of administration and education. Hindu nationalists passionately opposed the first and supported the second while members of larger regional language communities felt the reverse—and eventually won.

The BJP continues to pursue linguistic homogenisation. Proposals to make Hindi the national language resurfaced in 2022 to fierce opposition. Modi—himself not a native Hindi speaker—has promoted replacing English with regional Indian languages as a way of increasing opportunities for poorer Indians. This populist rather than nationalist argument, first

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For the BJP, India's plurality is a source of division and a threat to security, while unity or *sangathan* is a prerequisite for national revival after centuries of foreign Muslim and European domination

made by a socialist champion of OBC quotas, brings the language issue full circle.

Hindu nationalism has long been associated with the slogan 'Hindi, Hindu, Hindustan', which loosely translates to 'one language, one religion, one nation'. This notion of a homogeneous India contrasts sharply with the INC vision of 'unity in diversity'.

While the BJP governed at the head of a coalition from 1998 to 2004, it avoided the three controversial planks on which it rose to prominence—Ayodhya, the uniform civil code and Kashmir. Since coming to power with a majority in 2014, the BJP has seized on these historic commitments and more. The long-term consequences of these decisions for national unity are not yet clear. **EAFQ**

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