

HOW THE TABLES HAVE TURNED !

by

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When I read the other day that Klaus Regling, the head of the European Financial Stability Facility, had rushed to Beijing to persuade it to rescue Europe from the worst economic crisis of its history, I could not but marvel at the caprice of history, and at how the tables had turned... Just a handful of years ago, Jawaharlal Nehru, the first Indian Prime Minister, could be seen making trips to the West and the Soviet Union to persuade its leaders to invest in an economy devastated by colonisation. But the West was more than reticent, and when the US did pay an ear to his pleadings, Nehru was told to abandon his fancy notions of “non-alignment” and join the Western bloc. The Soviets were more receptive to him, but they, too, asked him to fall in line with their bloc. So India continued in its solitary journey, bargaining a path between the left and the right, until one fine day when the successors of Jawaharlal Nehru, if not himself, would find themselves being solicited (as an important member of the BRICs group) to bail out Europe. But the question remains: how did the old “mendicant” and the “master” swap places, and is the former really in a position to help his old “master”?

India’s economic “perestroika” started in the early 90s when the present Prime Minister Manmohan Singh, an Oxford-educated economist, was asked to take over the Ministry of Finance. He began by liberalising the Indian economy, which meant reducing controls on the flow of capital and goods. While the foreign capital and the Indian expats responded positively to this move, India’s own internal economic activity also picked up, supported as it was by cheap labour, a massive home market, a sea of home-grown engineers and technicians, and a bursting consumerist desire. As Louis Pasteur had said “chance favours the prepared mind”, a host of factors came together and the Indian entrepreneurs were only too ready to make full use of them. Thus India entered 21st century with a growth rate that made Goldman Sachs predict that India’s GDP per capita would quadruple from 2007 to 2020. With a growth rate of around 8.5% for the past several years, India forms today the world’s fourth largest economy in terms of the purchasing power. And if the Indian state could retrieve the \$1.4 billion (a 2006 estimate by the Swiss Banking Association) stashed away in Swiss banks, the economy could only be more smiling.

However, the state of the Indian economy’s underbelly is equally revealing: 37% of the population, or nearly 450 million people, still live below the poverty line, which in effect means barely one meal a day, no housing, no clean water, little education, child labour... Although India can happily boast of a 200 million plus middle class, it is still a place of abject economic inequalities where an ordinary worker earns less than 100 Euros a month. Income inequalities coupled with maddening consumerist desires, have pushed urban crime to alarming levels. Corruption has become one of the foremost problems. In the countryside, despite agricultural growth and recent state-sponsored employment policies, the condition of the landless workers, the “tribal” populations and the poor farmers remains disconcerting. It is thus difficult to imagine India, or any of the BRICS countries (Brazil, Russia, India, China, South Africa), coming forward to bail out Europe in any meaningful way, for they still have too many problems to resolve back home. A Chinese man scoffed on a web forum recently: “Those who eat congee and pickles are being asked to help those who feast on steak and French wine”.

However, diplomatically speaking, India and China would love to be seen as saviors of Europe. India has been seeking, and rightly so, a greater say in the world matters and a permanent seat in the Security Council. Even otherwise, India has not forgotten that, until

three centuries ago, she was one of the leading economies in the world. Historian Angus Maddison has shown that India's share of world income shrunk from 22.6% in 1700, almost equal to Europe's share of 23.3% at that time, to as low as 3.8% in 1952; the British colonization had thus clearly left India in tatters. China and India, both invested with stupendous civilisational prides, would perhaps also consider Europe's time of reckoning today, or tomorrow, as theirs to set right the historical record. A European friend remarked light-heartedly to me: "for years we've been grilling into them the philosophy of *laissez-faire*, China might just turn around now and say *laissez-moi faire!*"

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