
INDIA IN 2000

A Respite from Instability

Arun Swamy

For India, 2000 was a year of portents that followed no pattern. On the eve of the millennium, the once-dominant Indian National Congress had lost its third consecutive general election. Moreover, India had completed 10 years without a Nehru/Gandhi-lineage prime minister. The year brought the 50th anniversary of the country's democratic Constitution and saw Atal Bihari Vajpayee become the longest-serving non-Congress prime minister in Indian history. One might therefore view 2000 as a year in which India finally outgrew dynastic politics and one-party dominance. Yet, by year's end, another individual from the Nehru/Gandhi political dynasty was overwhelmingly reelected president of the Congress Party and the Congress in turn was reviving electorally in several states.

Internationally, too, events of symbolic importance pointed one way while others suggested less change than met the eye. In March, the first visit by a U.S. president to India in over two decades was hailed as a breakthrough in relations between the two countries. In October, though, a week-long state visit by Russian President Vladimir Putin reestablished Russia as India's principal military supplier and diplomatic ally.

Nestled in between these markers were occurrences that testified to both the deepening of Indian political institutions and the continuing challenges they face, pointing both to the possibility of new policy directions and the powerful influence of past legacies. In turn, this survey will address national politics, state politics, domestic unrest and its impact on India's relations with its neighbors, India's relations with the rest of the world, and the Indian economy.

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Party Politics and Political Institutions

In national politics, 2000 was a year of stability unparalleled in recent times. It was the first year since 1995 in which no prime minister was forced to resign. Having just become the first incumbent government to be reelected to power since 1984, the ruling National Democratic Alliance (NDA), led by the Hindu nationalist Bharatiya Janata Party (BJP), passed its budget easily.

The rule of law was strengthened by the conviction on corruption charges of a former prime minister and a former state chief minister. Prime Minister P. V. Narasimha Rao (1991–96) was sentenced to prison for having bribed the members of a smaller party in Parliament to support his government during a no-confidence motion. Shortly afterward, Jayalalitha Jayaram, a flamboyant former actress and chief minister of Tamil Nadu (1991–96), was convicted of profiting from state government transactions.

Indian parties appeared to become better at managing coalition politics. Partly because of the election victory, cooperation between the BJP and the Congress Party was revived. In addition to being the principal opposition party, the Congress is the largest party in Parliament's upper house, where the government lacks a majority. Congress and the BJP have cooperated since 1998 to pass legislation required by India's membership in the World Trade Organization (WTO). In 2000, both fulfilled election promises by creating three new states, putting an end to years of debate and protest. The states' creation also reflected the growing influence of state politics on the national parties.

Although the BJP's dependence on state parties to form a coalition caused the government to fall in 1999, in 2000 the most visible signs of dissent in the ruling coalition occurred within the BJP itself. Outwardly, the conflicts were not between rival factions of the party, or even between the government and the party, but between the government and the BJP's sister organization, the Rashtriya Swayamsevak Sangh (RSS). The RSS is the older organization and views itself as the source and guardian of Hindu nationalism. Vajpayee, himself a product of the RSS, has been seen as the leader of non-RSS moderates who joined the party recently, while Home Minister Lal Krishna Advani is viewed as the leader of hardline Hindu nationalist sentiment.

The RSS and other BJP-affiliated organizations challenged government policy on economic, political, and cultural matters. They accused the BJP of abandoning economic nationalism and threatened to revive the controversy over a mosque destroyed by a Hindu nationalist mob in 1992. The controversy now is over whether to build a temple on the site, a move the BJP has avoided promoting despite ruling the state where the mosque is located. They also challenged government policy on the disputed state of Jammu and Kashmir by calling for dividing the state into three ethnically and religiously

homogeneous regions. The power struggle culminated with the election of a new BJP party president.

The new president, Bangaru Laxman, a southerner and Dalit, was generally seen as Vajpayee's choice. Laxman ruffled feathers among hardliners by calling on the party to actively recruit minorities and especially Muslims to the party. Laxman's unanimous election and the sidelining of various hardliners in both the party executive and the cabinet led observers to conclude that Vajpayee had become indispensable to the party's fortunes.

Vajpayee is widely viewed as the only BJP leader the coalition partners will accept as prime minister. When the septuagenarian prime minister showed signs of illness in the latter half of the year, the nervousness did not settle until it was clearly established that the problem was arthritis. The government's failure to nominate a clear second-in-command when Vajpayee underwent surgery only heightened questions about whether it could survive without him.

However, observers may be exaggerating both Vajpayee's independence from the RSS and his ability to hold the ruling coalition together. Vajpayee caused controversy during a visit to the U.S. when he reasserted his ties to the RSS in a speech to Indian expatriates. He attracted criticism again at the end of the year when he tacitly endorsed the BJP's desire to build a temple on the site of the destroyed Babri mosque, while distancing himself from the destruction of the mosque itself.

As the year wore on, strains also began to appear between the BJP and its coalition partners over economic issues. The BJP government has repeatedly declared its determination to exercise fiscal discipline and proceed with privatization of state-owned firms. The most contentious issues involved efforts to cut budget subsidies to compensate for rising international prices. This resulted in the first overt threat to the government when a rebel Congress faction from West Bengal, the Trinamool Congress Party, threatened to pull out of the coalition. The Trinamool Congress was motivated partly by the desire to ally with its parent party in upcoming state elections.

As these incidents indicate, the government's stability depends as much on the ability of the Congress Party to attract coalition partners away from the BJP as on the BJP's own efforts. It was the Congress Party's failure to do this after the BJP lost a vote of confidence in 1999 that led to fresh elections. Indeed, the fate of the Congress, out of power since 1996, remains the crucial question facing the polity. In the 1999 elections, the Congress slumped to its lowest share of votes and seats in Parliament ever in spite of a dramatic comeback in the southern state of Karnataka. This was partly due to a series of defections that led to the creation of breakaway Congress parties in various states.

There has been one significant state-level defection from the Congress Party in each of the three recent elections. Each was more significant than the one preceding it. In Tamil Nadu, where the Congress has played second fiddle to two regional parties since the 1970s, most of the state Congress unit broke away in 1996 to form the Tamil Maanila Congress (TMC), which allied with a different regional party from the one chosen by the central party leadership. In 1998, the Congress lost much of its unit in West Bengal, a state where it has been the principal opposition party since 1977, when the Trinamool Congress broke away to ally with the BJP. Finally, in 1999, in the large industrial state of Maharashtra, where the Congress had been in power continuously until 1994, the newly formed Nationalist Congress Party (NCP) took half the Congress vote and swung a large number of parliamentary seats to the BJP-led coalition.

The underlying cause for all the splits is the absence of democratic processes within the Congress organization. The lack of open competition in choosing party candidates or office-holders and the near-dictatorial powers enjoyed by the party president prevent factional disputes from being settled within the party. Although the party's constitution requires biennial organizational elections, until the 1990s these had not been held for decades because rival factions continually challenged the bona fides of members claimed by other factions. Moreover, the Congress has an organizational culture that gives its top leadership virtually unchecked authority to appoint officeholders, decide on strategies, and choose nominees for elections. Since 1991 these powers, exercised by presidents chosen through informal consultations among party leaders, have led disaffected factions to break away four times.

In the 1990s, the Congress has been forced to hold party elections by the Election Commission. Attempts to resolve factional disputes by appointing politicians to serve as referees in states other than their own have had only limited success since the referees are chosen by the top leadership and are not always accepted as neutral. However, organizational elections did produce contests for the post of party president in 1997 and 2000. Jitendra Prasada, a senior politician from Uttar Pradesh, challenged Sonia Gandhi this year. Prasada lost overwhelmingly, but the very fact of the challenge was remarkable. This action might eventually point to stronger internal electoral procedures.

State Politics

It is a truism to say that Indian politics have become regionalized since 1996. Parties that exist in only one or two states win nearly half the seats in Parliament. This new regionalization of party politics was reflected in the most significant political event of the year, the creation of three new states.

The new states were all neglected or minority-dominated regions of large states in the Hindi-speaking north. This region had been unaffected by previous phases of state creation, since these had focused on unifying minority regions. There was little opposition to two of the states, Chhatisgarh and Uttarakhand, formed out of Congress-ruled Madhya Pradesh and BJP-ruled Uttar Pradesh, respectively. In both cases the distribution of seats in the state assemblies allowed the ruling party of the undivided state to form a government in both the successor states. However, the creation of the third and largest new state, Jharkhand, out of the second largest one, Bihar, faced strong opposition. Regional parties, in both the BJP coalition and the non-BJP state government, were concerned that the loss of mineral-rich Jharkhand would leave Bihar, the country's poorest state, economically unviable.

The dynamic in Bihar changed after the 1999 elections gave the ruling Rashtriya Janata Dal (RJD) a plurality but not a majority. This dashed the hopes of the BJP and its regional allies and left the RJD with a choice between depending on Congress to rule an undivided Bihar and ruling on its own in a smaller Bihar state, shorn of Jharkhand. Further, both the BJP alliance and the Congress had hopes of forming the government in Jharkhand, giving them a strong incentive to create the new state. The RJD chose to support the creation of Jharkhand.

In various states around the country, coalition politics began to seem normal. Coalition governments have been in existence for some time in Uttar Pradesh, Kerala, and West Bengal. In Jharkhand, the BJP formed a coalition with a one-seat majority. In a number of small states, governments changed hands as existing coalitions fell and others replaced them. In the large industrial state of Maharashtra, a coalition of the Congress and the NCP belied all predictions by lasting a year.

Toward the end of the year, the Congress Party showed signs of reviving in local elections around the country. In several crucial states where the Congress Party has been out of power for some time, it did well or better than expected. For instance, in Kerala, a coalition led by the Communist Party of India-Marxist (CPI-M) has alternated in power for 20 years with one led by the Congress Party. In West Bengal, where the CPI-M has been in power since 1977, the Congress Party demonstrated continued support in the state's smaller towns. Finally, in the western state of Gujarat, won by the BJP in 1995 and 1998, the Congress Party swept local elections.

The local elections in Kerala and West Bengal are especially important as they are among five major states due for state elections in 2001. The others are Tamil Nadu, Uttar Pradesh, and Assam. These states are ruled, respectively, by the Dravida Munnetra Kazhagam (DMK), a regional BJP ally; the BJP in coalition with smaller parties; and a coalition led by an unaffiliated regional party, the Asom Gana Parishad (AGP). The outcome of these elec-

tions could influence the fate of the national government. There is every likelihood that the Congress will win in Kerala and Assam. In Tamil Nadu, West Bengal, and Uttar Pradesh, the Congress could hold the balance of power for a coalition government. However, in each three there are obstacles to forming an anti-BJP coalition, which reflect the larger organizational and strategic dilemmas facing the Congress.

In two states, the chances of a Congress victory depend on its ability to ally with rebel factions. In West Bengal, where the CPI-M's chief minister of 23 years has just retired, the Trinamool Congress has repeatedly called for a grand alliance of itself, the Congress, and the BJP. The Congress's reluctance to ally with the BJP, however, means the Trinamool Congress may leave the ruling coalition if it believes before or finds after the elections that it can better form a government with the Congress. Similarly in Tamil Nadu, the DMK's decision to ally with the BJP in 1999 brought the TMC back to an alliance with the Congress and another regional party, the Anna Dravida Munnetra Kazhagam (ADMK). The ADMK/Congress alliance won huge victories in 1984 and 1991, but the corruption conviction of ADMK leader Jayalalitha Jayaram could frustrate the Congress Party's plans.

In Uttar Pradesh, the largest state in the country, the challenges facing the Congress have more to do with the party's difficulty in allying with parties outside the Congress family. The state essentially has seen a three-way contest between the BJP and two caste-based parties since 1991; this has allowed the BJP to win majorities with about 35% of the vote. In 1999, however, the Congress reestablished itself as a significant fourth force in the state while the BJP lost a significant number of seats. In 2000, the BJP changed its chief minister in Uttar Pradesh for the second time in a year, hoping to revive its fortunes in the state. The chances of a BJP defeat depend on the willingness of at least two of the opposition parties in the state forming an alliance; the most likely one is between the Congress and the Bahujan Samaj Party (BSP), which represents Dalits, or ex-Untouchables, traditionally a Congress constituency.

Three important observations emerge from the foregoing review. First, breakaway factions of the Congress continue to have a preference for allying with the parent organization where possible, but both regional political calculations and a desire not to lose their autonomy prevent them from merging back with the Congress. Second, the future of the BJP coalition could be affected by elections in states where its regional partners have a stake. Third, however, for this to happen, the Congress is going to have to learn to play the coalition game.

Domestic Unrest and Relations with Neighbors

Throughout the year, separatist violence continued in the state of Jammu and Kashmir and, at a lower level, in India's northeast. Additionally, increased levels of violence in Sri Lanka's civil war inevitably caused concern in India. Both in turn brought India's relations with its neighbors into focus and caused friction between the BJP and some of its regional allies.

The virtual war with Pakistan in the Kargil area of the disputed state of Jammu and Kashmir during the summer of 1999 cast a shadow over 2000. The only significant controversy during President Clinton's trip to India was his description of South Asia as the most dangerous place on earth. Indian president K. Narayanan broke diplomatic protocol at a state dinner to rebuke Clinton for this remark, charging that the description would itself encourage violence.

Any prospects for direct negotiations between India and Pakistan were diminished in late 1999 by a military coup in Pakistan and the hijacking of an Indian Airlines flight by militants seeking an independent Kashmir. India released a number of militants from prison in exchange for the hostages and continues to accuse Pakistan of harboring them. Despite these events, the year saw a number of potentially significant events including efforts by the Indian government to negotiate directly with Kashmiri militants.

One significant event was the passing of a resolution by the Jammu and Kashmir state legislature calling for a restoration of the special autonomy granted to Kashmir in the Constitution. Kashmir's ruling party, the National Conference, is a member of the BJP's coalition; since the resolution directly contradicted BJP policy, it threatened another rupture in the ruling coalition. The resolution was supported by the Congress Party and other opposition parties, but rejected by the BJP, which insisted that increased autonomy for Kashmir should be granted only in the context of increasing the powers of states generally. The crisis was averted when the National Conference agreed not to press the resolution.

A second, more hopeful moment came during the summer when one militant group, the Hizb-ul Mujahedin, announced a cease-fire contingent upon negotiations. The Indian government accepted the proposal but the cease-fire broke down over two basic issues. One was the Mujahedin's insistence that Pakistan should be a party to the talks, which India rejects. The other was the Indian government's insistence that the Indian Constitution should be used as the basis of the talks, which the Mujahedin reject, since this effectively rules out independence at the outset. With the breakdown of this effort, armed conflict between the Indian army and militant separatists resumed.

In November, the government tried again, by declaring a unilateral cease-fire for the Muslim holy month of Ramadan. The cease-fire was rejected by

militant organizations, which attacked army convoys within hours of the onset of the cease-fire. Shortly thereafter, Pakistan proposed a border truce between the two countries. The Indian government's immediate reaction was to dismiss the announcement as a ploy but, partly under the pressure of opposition parties, it grudgingly acknowledged the step as a positive one. However, the government continued to reject any negotiations that included Pakistan, making it unlikely any positive developments would follow soon.

On a somewhat different plane, the acceleration of Sri Lanka's civil war had inevitable repercussions on Indian politics, especially in the state of Tamil Nadu. The principal Tamil separatist group in Sri Lanka, the Liberation Tigers of Tamil Eelam (LTTE), achieved dramatic successes over the summer. The LTTE expelled the Sri Lankan army from most of the northern peninsula of Jaffna and surrounded Jaffna town, a port lying a short distance from the Indian coast. The prospect of an invasion of the town by the LTTE led to both a renewed influx of Tamil refugees into Tamil Nadu and contradictory diplomatic and military pressures on the Indian government. The Sri Lankan government reportedly requested Indian assistance in evacuating Sri Lankan troops if necessary. However, several Tamil Nadu parties in the BJP coalition made controversial statements in support of the LTTE and demanded that India not support the Sri Lankan army. The Indian government compromised by offering humanitarian assistance but not military aid.

The Sri Lanka war also spilled over into a second hostage crisis. This one involved the kidnapping of Rajkumar, a popular film star in the state of Karnataka, by Veerappan, a Tamil brigand in the hills between the state of Tamil Nadu and Karnataka. Veerappan, once known as a smuggler of sandalwood, has apparently acquired political ambitions, and demanded a pardon for himself and the release from jail of some of his associates as well as several Sri Lankan Tamil militants. The government's willingness to release prisoners for hostages in the Indian airlines hijacking case in 1999 appeared to have set a precedent for this demand. This time the Supreme Court ruled out any release of prisoners and Rajkumar was eventually released.

Finally, in the northeast, the largest state in the region, Assam, which faces elections in 2001, has had a significant insurgency for almost a decade. This region also borders on China, Bangladesh, and Myanmar, with all of which there have been differences and tensions to varying degrees. Reports late in the year that the United Liberation Front of Assam (ULFA), which effectively controls much of the state, was targeting non-Assamese residents of the state led to threats of a central government takeover. However, on a more hopeful note, India, Bangladesh, and Bhutan concluded an agreement to build a highway to the Bangladeshi port of Chittagong. This highway would allow exports from the northeast and Bhutan to avoid the long trip to the Indian port of Calcutta. During the Clinton visit, there was also talk of developing Ban-

gladeshi gas fields for export to India, but this continued to face significant opposition from the domestic opposition in Bangladesh.

India and the World

India witnessed a flurry of diplomatic activity in 2000, which gave the impression that the country was finally arriving on the world scene. However, as mentioned earlier, the most significant event may have been the renewal of close ties to Russia. There were several threads to the diplomatic story.

The standoff between India and the major powers over India's nuclear weapons policy continued but became slowly muted as the year wore on. Early in the year, the Indian government continued to press for removal of sanctions imposed after India's 1998 nuclear tests, while most major powers—including France, Russia, and Japan—called on India to at least sign the 1996 Comprehensive Test Ban Treaty (CTBT). On the eve of Clinton's visit to India, Secretary of State Madeline Albright went so far as to announce that the U.S. goal was to secure India's adherence to the non-proliferation treaty (NPT) as a non-nuclear state.

It became clear during Clinton's visit that there was no support for abandoning the nuclear option in India. The aforementioned controversy over Clinton's "most dangerous place on earth" declaration even threatened to derail an otherwise successful trip. The Vision Statement issued by the two sides after the visit contented itself with recording that they differed on whether India needed nuclear weapons for its security. Following the trip, the U.S. quietly ceased blocking World Bank loans to India while retaining sanctions on U.S. supplies of military-related items; most other major powers resumed efforts to sell India arms.

The goal of the U.S., like other major powers, appears now to be limited to securing India's ratification of the CTBT, which would prevent further nuclear tests. Rather than moving in this direction, however, the Indian government has protested the need to build a consensus and, indeed, the Congress and other opposition parties continue to oppose the CTBT, which they view as discriminatory. In September, Prime Minister Vajpayee visited the U.S. to attend the U.N. Millennium Summit. At the meeting, Vice-President and Democratic presidential candidate Al Gore was said to have promised Vajpayee that he would press the U.S. Senate to ratify the treaty. Governor Bush, the Republican nominee, with whom Vajpayee spoke by telephone, was not reported to have mentioned the issue at all, while Vajpayee's speech to a joint session of the U.S. Congress focused on the assertion that India and the U.S. were natural allies.

The Vajpayee government seems genuinely to have hoped for a new and closer relationship between India and the U.S., even to the point of risking opposition charges that the government was selling out India's interests under

U.S. pressure. In the failed Seattle negotiations over expanding the World Trade Organization (WTO) in 1999, India initially supported a number of U.S. positions, most notably those concerning electronic commerce, until the U.S. proposed introducing labor standards into the WTO dispute settlement mechanism. Another area where Indian foreign policy appeared to have shifted toward a more pro-U.S. stance was the Middle East. India's response to the crisis that erupted in the Middle East was muted, with the government eschewing the strong support for Palestinian rights that India showed in the past.

By the end of the year, however, things appeared to be returning to normal. November also saw an official visit by a senior Iraqi official for the first time since the Gulf War. This visit resulted in India expressing displeasure with the continuing sanctions on Iraq and concluding an arrangement to exchange Indian wheat for Iraqi oil. Around the same time, India announced humanitarian aid to Palestinians and issued a statement criticizing the excessive use of force against them. There was also renewed talk of a gas pipeline from Iran to India.

The shift toward a more traditional geopolitical stance became noticeable with Russian president Vladimir Putin's visit in October. Russia and India issued statements calling for a multipolar world and concluded large arms deals. These were to include purchases by India of an aircraft carrier and nuclear-powered submarines capable of launching ballistic missiles. In addition, Russia announced its plans to build a nuclear reactor under terms that would apparently allow India to retain the spent, weapons-grade nuclear fuel. At the same time, India began to require its other weapons providers, such as Britain to replace any American-made parts in their weapons systems, in order to avoid U.S. sanctions. Strong expressions of Russian diplomatic support for India's position on Kashmir received prominent mention in Indian newspapers as did a joint declaration of the need to combat terrorism from Afghanistan.

This is not to suggest that the pendulum will swing back to a cold war alignment. India has also just concluded an agreement with Israel to combat terrorism jointly and agreed to purchase military hardware from Israel. Trade and talks with China are expanding, and a visit to China by Indian foreign minister Jaswant Singh was said to be very successful. However, like most major countries, India is increasing leaving all options open and linking foreign policy concerns to economic ones.

The Economy

Early in 2000, an upturn in economic growth led to bounding optimism in government forecasts. The growth rate, which dipped from nearly 7% in 1996/97 to just over 5% in 1997/98, was up at 6.8% again for fiscal year

1999/2000. By late in 2000, however, it was clear that talk of maintaining the higher level was premature. Aggregate and industrial growth in the first quarter of the fiscal year were both down by about a percentage point from the previous year. This happened despite a sharp increase in exports, which grew at 22% in the first quarter over the same period in the previous year and continued inflows of foreign direct investment which, at between three and four billion dollars, were slated to match or exceed the previous year. Slower domestic demand and rising oil prices were blamed.

The steady rise in international oil prices has forced a number of painful fiscal measures while causing strains in the government coalition. In late 1999, the newly reelected government rode out a truckers' strike protesting its decision to raise diesel prices, even though the increase did not pass on the entire increase in international oil prices. As noted, in late 2000 the government alienated some of its coalition partners by raising the administered prices of oil products including kerosene and natural gas. After the threat to resign by Mamata Bannerjee, the Trinamool Congress leader, these cuts were scaled back for items such as kerosene that are consumed by the masses.

In other areas, too, the government's efforts to maintain fiscal discipline faced political and economic constraints. In one controversial decision, the government allowed the Food Corporation of India to buy substandard rice from farmers in Punjab to appease an ally from that state. This decision was cited by other allies and opposition parties in demanding a rollback of price increases for oil products, while opposition parties also attacked the government for cutting food subsidies. Partly as a result of the decline in industrial growth, tax revenue, too, declined in the first quarter of the fiscal year.

In a related measure, the government also announced ambitious plans to partially privatize state-owned firms. In a continuation of a troubling pattern, the money generated seemed slated for revenue rather than capital expenditures. Nonetheless the plans were qualitatively different from privatization efforts during the 1990s, which largely were restricted to selling shares in state-owned firms to state-owned banks. The BJP government proposed to sell majority stakes in several prominent public sector firms to the private sector. The firms identified for privatization included the two national airlines, Air India and Indian Airlines; Maruti Udyog Limited, a joint-venture automobile manufacturer partly owned by Suzuki; and several telecommunications companies. At year's end, despite expressions of interest by some prominent private sector giants, none of the sales had been finalized.

There was another questionable, if more successful, effort to raise money, this time through debt. Buoyed by the success of its Resurgent India Bonds, made available to expatriate Indians in 1998 when sanctions were imposed after India's nuclear tests, the government announced a plan to allow state-owned banks to issue certificates of deposit denominated in hard currency to

expatriate Indians. As the interest offered on these deposits was quite high—over 8% for deposits in U.S. dollars—the plan, named the India Millennium Deposit, raised \$5.5 billion. However, as the *Economic Times*, India's premier business daily, pointed out in a scathing assessment, the rupee has been depreciating against the dollar by an average of 8% per year, making the effective interest on these deposits nearly 17%. Since, like the Resurgent India Bonds, which were supposed to fund infrastructural projects but have largely been sitting idle, the purpose of the India Millennium Deposit appears to be to provide a cushion to foreign exchange reserves, at high long-term cost, rather than to fund investment. This, even though foreign exchange reserves remained comfortable at \$33 billion, down a little from a peak of \$38 billion.

In sum, the management of the Indian economy in 2000 remained subject to short-term constraints, both political and economic, with many ambitious long-term plans making slow progress. While growth remains respectable, it is not even at the peaks registered in the 1990s, much less the 7%–9% growth the government has set as a target. Budget deficits have stabilized but have not been reduced as projected. And while the government continues to be able to pass legislation required by international commitments, it has still not tackled the remaining issues on the liberalization agenda—privatizing the state sector or changing labor laws that make it difficult to close down loss-making firms. Reports at year's end of huge cost overruns on the government's ambitious highway project, conflict in Maharashtra over the high cost of electricity from a private sector power plant, and a nationwide postal strike pointed to the continuing challenge of resolving labor's concerns over liberalization or overcoming India's infrastructure bottleneck.

Conclusion

India in 2000 enjoyed a much-needed respite from the political crises of the recent past, successes in the foreign policy sphere, and respectable growth. Politically, diplomatically, and economically, however, there remained loose ends that will need to be resolved. Within the governing coalition, the restiveness of both the hardline faction of the BJP and the various state parties that make up its coalition partners could force a confrontation that would break the coalition. The viability of the government over the next year or two depends on the success of the BJP and its partners in the upcoming state elections, as well as on Prime Minister Vajpayee's health. A combination of electoral successes and disaffection with the BJP's economic policies with other parties could allow the Congress Party to bring down the government in late 2001 or early 2002.

Looking beyond domestic politics, the potential of dramatic breakthroughs exist both diplomatically and economically, but their occurrence is far from

guaranteed. The current government has actively sought ways to fashion a post cold war foreign policy that aggressively furthers India's interests and could conceivably even begin serious negotiations to end the war in Kashmir as a way of achieving broader goals. The BJP's own hardline stance on this issue would give greater legitimacy to such an effort but, for the same reason, the shift is difficult to envision. Similarly, even the successful sale of one major state-owned firm would have a dramatic psychological impact. Conversely, failing to follow through would likely erode confidence in India's reforms program.