

The Post-American World

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The Rise of the Rest

This is a book not about the decline of America but rather about the rise of everyone else. It is about the great transformation taking place around the world, a transformation that, though often discussed, remains poorly understood. This is natural. Changes, even sea changes, take place gradually. Though we talk about a new era, the world seems to be one with which we are familiar. But in fact, it is very different.

There have been three tectonic power shifts over the last five hundred years, fundamental changes in the distribution of power that have reshaped international life—its politics, economics, and culture. The first was the rise of the Western world, a process that began in the fifteenth century and accelerated dramatically in the late eighteenth century. It produced modernity as we know it: science and technology, commerce and capitalism, the agricultural and industrial revolutions. It also produced the prolonged political dominance of the nations of the West.

The second shift, which took place in the closing years of the nineteenth century, was the rise of the United States. Soon after it industrialized, the United States became the most powerful nation since imperial Rome, and the only one that was stronger than any likely combination of other nations. For most of the last century, the United States has dominated global economics, politics, science, and culture. For the last twenty years, that dominance has been unrivaled, a phenomenon unprecedented in modern history.

We are now living through the third great power shift of the modern era. It could be called "the rise of the rest." Over the past few decades, countries all over the world have been experiencing rates of economic growth that were once unthinkable. While they have had booms and busts, the overall trend has been unambiguously upward. This growth has been most visible in Asia but is no longer confined to it. That is why to call this shift "the rise of Asia" does not describe it accurately. In 2006 and 2007, 124 countries grew at a rate of 4 percent or more. That includes more than 30 countries in Africa, two-thirds of the continent. Antoine van Agtmael, the fund manager who coined the term "emerging markets," has identified the 25 companies most likely to be the world's next great multinationals. His list includes four companies each from Brazil, Mexico, South Korea, and Taiwan; three from India; two from China; and one each from Argentina, Chile, Malaysia, and South Africa.

Look around. The tallest building in the world is now in Taipei, and it will soon be overtaken by one being built in Dubai. The world's richest man is Mexican, and its largest publicly traded corporation is Chinese. The world's biggest plane is built in Russia and Ukraine, its leading refinery is

under construction in India, and its largest factories are all in China. By many measures, London is becoming the leading financial center, and the United Arab Emirates is home to the most richly endowed investment fund. Once quintessentially American icons have been appropriated by foreigners. The world's largest Ferris wheel is in Singapore. Its number one casino is not in Las Vegas but in Macao, which has also overtaken Vegas in annual gambling revenues. The biggest movie industry, in terms of both movies made and tickets sold, is Bollywood, not Hollywood. Even shopping, America's greatest sporting activity, has gone global. Of the top ten malls in the world, only one is in the United States; the world's biggest is in Beijing. Such lists are arbitrary, but it is striking that only ten years ago, America was at the top in many, if not most, of these categories.

It might seem strange to focus on growing prosperity when there are still hundreds of millions of people living in desperate poverty. But in fact, the share of people living on a dollar a day or less plummeted from 40 percent in 1981 to 18 percent in 2004, and is estimated to fall to 12 percent by 2015. China's growth alone has lifted more than 400 million people out of poverty. Poverty is falling in countries housing 80 percent of the world's population. The 50 countries where the earth's poorest people live are basket cases that need urgent attention. In the other 142—which include China, India, Brazil, Russia, Indonesia, Turkey, Kenya, and South Africa—the poor are slowly being absorbed into productive and growing economies. For the first time ever, we are witnessing genuinely global growth. This is creating an international system in which countries in all parts of the world are no longer objects or observers but players in their own right. It is the birth of a truly global order.

A related aspect of this new era is the diffusion of power from states to other actors. The “rest” that is rising includes many nonstate actors. Groups and individuals have been empowered, and hierarchy, centralization, and control are being undermined. Functions that were once controlled by governments are now shared with international bodies like the World Trade Organization and the European Union. Non-governmental groups are mushrooming every day on every issue in every country. Corporations and capital are moving from place to place, finding the best location in which to do business, rewarding some governments while punishing others. Terrorists like Al Qaeda, drug cartels, insurgents, and militias of all kinds are finding space to operate within the nooks and crannies of the international system. Power is shifting away from nation-states, up, down, and sideways. In such an atmosphere, the traditional applications of national power, both economic and military, have become less effective.

The emerging international system is likely to be quite different from those that have preceded it. One hundred years ago, there was a multipolar order run by a collection of European governments, with constantly shifting alliances, rivalries, miscalculations, and wars. Then came the bipolar duopoly of the Cold War, more stable in many ways, but with the superpowers reacting and overreacting to each other's every move. Since 1991, we have lived under an American imperium, a unique, unipolar world in which the open global economy has expanded and accelerated dramatically. This expansion is now driving the next change in the nature of the international order.

At the politico-military level, we remain in a single-superpower world. But in every other dimension—industrial, financial, educational, social, cultural—the distribution of

power is shifting, moving away from American dominance. That does not mean we are entering an anti-American world. But we are moving into a *post-American world*, one defined and directed from many places and by many people.

What kinds of opportunities and challenges do these changes present? What do they portend for the United States and its dominant position? What will this new era look like in terms of war and peace, economics and business, ideas and culture?

In short, what will it mean to live in a post-American world?

The Ally

In the fall of 1982, I took an Air India flight from Bombay's Santa Cruz airport to go to college in the United States. The preceding decade had been a rough one in India, marked by mass protests, riots, secessionist movements, insurgencies, and the suspension of democracy. Underneath it all was a dismal economy, one that combined meager growth with ever-worsening inflation. Economic growth barely outpaced population growth. It would have taken the average Indian fifty-seven years to double his income, given the rate of increase in per capita GDP at the time. Many talented and ambitious Indians believed that their only real future lay in leaving the country. Over 75 percent of the graduates of the Indian Institutes of Technology in the 1980s emigrated to America.

The decade since 1997 could not have been more different. India has been peaceful, stable, and prosperous. The fires of secession and militant nationalism have died down. National and state governments changed hands without incident. There

was even a thaw in the perennially tense relations with Pakistan. And underpinning it all was the transformation of the Indian economy, which grew at 6.9 percent over the entire decade and 8.5 percent in the second half of it. If this latter rate can be sustained, the average Indian will double his income in less than ten years. Already, the cumulative effect of this new economics is apparent. More Indians have moved out of poverty in the last decade than in the preceding fifty years.

The world has taken note. Every year at the World Economic Forum in Davos, Switzerland, there is a national star—one country that stands out in the gathering of global leaders because of a particularly smart prime minister or finance minister or a compelling tale of reform. In the twelve years that I've been going to Davos, no country has so captured the imagination of the conference or dominated the conversation as India did in 2006. It goes well beyond one conference. The world is courting India as never before. Foreign leaders are now flocking to India pledging to form deeper and stronger relations with the once exotic land.

Yet most foreign observers are still unsure of what to make of India's rise to prominence. Will it become the next China? And what would that mean, economically and politically? Will a richer India bump up against China? Will it look on the United States as an ally? Is there such a thing as a "Hindu" worldview? Perplexed foreigners might be comforted to know that Indians themselves remain unsure of the answers to these questions. India is too full of exuberance right now for much serious reflection.

Exuberance worked well enough at the World Economic Forum. As you got off the plane in Zurich, you saw large billboards extolling *Incredible India!* The town of Davos itself was

plastered with signs. "World's Fastest Growing Free Market Democracy," proclaimed the local buses. When you got to your room, you found a pashmina shawl and an iPod shuffle loaded with Bollywood songs, gifts from the Indian delegation. When you entered the meeting rooms, you were likely to hear an Indian voice, one of dozens of CEOs of world-class Indian companies in attendance. And then there were the government officials, India's "Dream Team"—all intelligent and articulate, and all intent on selling their country. The forum's main social event was an Indian extravaganza, with a bevy of Indian beauties dancing to pulsating Hindi tunes against an electric blue Taj Mahal. The impeccably dressed chairman of the forum, Klaus Schwab, donned a colorful Indian turban and shawl, nibbled on chicken tikka, and talked up the country's prospects with Michael Dell. *India Everywhere*, said the logo. And it was.

The success of this marketing strategy ensured that it was used again, and again. On the sixtieth anniversary of India's independence, New York was overrun with glamorous concerts, galas, champagne receptions, and seminars celebrating the country's cultural, political, and economic success. The slogan *India@60* reflected the driving force behind it, India's technology companies. The event contrasted markedly with the fiftieth-anniversary celebrations ten years earlier, which culminated in a dull reception at the Indian consulate—with fruit juice only, because of the Gandhian taboo on alcohol—and a speech extolling India's diversity. Of course, today's jazzy campaigns wouldn't work if there were no substance behind them. Over the past fifteen years, India has been the second-fastest-growing country in the world, behind only China, and it seems on track to continue this high-octane

growth for the next decade. Like China's, its sheer size—one billion people—means that, once on the move, the country casts a long shadow across the globe.

While China's rise is already here and palpable, India's is still more a tale of the future. Its per capita GDP is still only \$960.* But that future is coming into sharp focus. The Goldman Sachs BRIC study projects that, by 2015, India's economy will be equal to the size of Italy's and, by 2020, will have caught up to Britain's. By 2040, India will boast the world's third-largest economy. By 2050, its per capita income will have risen to twenty times its current level.¹ Predictions like these are a treacherous business, and trends often peter out. But still, it's worth noting that India's current growth rate is much higher than the study assumes, and, crucially, the country has a promising demographic profile. As the industrial world ages, India will continue to have *lots* of young people—in other words, workers. China faces a youth gap because of its successful "one-child" policies; India faces a youth bulge because, ironically, its own family-planning policies of the past failed. (The lesson here is that all social engineering has unintended consequences.) If demography is destiny, India's future is secure.

Even the here and now is impressive. India's poverty rate is half what it was twenty years ago. Its private sector is astonishingly vibrant, posting gains of 15, 20, and 25 percent year after year. The private sector's strength goes well beyond just outsourcing firms like Infosys, the main association of many in the United States with the Indian economy. The Tata Group is a far-flung conglomerate that makes everything from cars and

* Unadjusted for purchasing power. The PPP figure is \$2,100. The comparable numbers for China are \$2,500 (market) and \$4,100 (PPP).

steel to software and consulting systems. In 2006, its revenues rose from \$17.8 billion to \$22 billion, a 23 percent gain. The more dynamic Reliance Industries, India's largest company, saw its profits double between 2004 and 2006. The total revenues of the auto-parts business, made up of hundreds of small companies, grew from under \$6 billion in 2003 to more than \$15 billion in 2007. Over the next three years, General Motors alone will import \$1 billion worth of Indian-made auto-parts.² And India now has more billionaires than any other Asian country, and most of them are self-made.

Bottoms Up

At this point, anyone who has actually been to India will probably be puzzled. "India?" he or she would ask. "With its dilapidated airports, crumbling roads, vast slums and impoverished villages? Are you talking about that India?" Yes, that, too, is India. The country might have several Silicon Valleys, but it also has three Nigerias within it—that is, more than 300 million people living on less than a dollar a day. It is home to 40 percent of the world's poor and has the world's second-largest HIV-positive population. But even if the India of poverty and disease is the familiar India, the moving picture is more telling than the snapshot. India is changing. Mass poverty persists, but the new economic vigor is stirring things up everywhere. You can feel it even in the slums.

To many visitors, India does not look pretty. Western businessmen go to India expecting it to be the next China. It never will be that. China's growth is overseen by a powerful government. Beijing decides that the country needs new airports,

eight-lane highways, gleaming industrial parks—and they are built within months. It courts multinationals and provides them with permits and facilities within days. One American CEO recalled how Chinese officials took him to a site they proposed for his new (and very large) facility. It was central, well located, and met almost all his criteria—except that it was filled with existing buildings and people, making up a small township. The CEO pointed that out to his host. The official smiled and said, “Oh, don’t worry, they won’t be here in eighteen months.” And they weren’t.

India does not have a government that can or will move people for the sake of foreign investors. New Delhi and Mumbai do not have the gleaming infrastructure of Beijing and Shanghai, nor do any of India’s cities have the controlled urbanization of China’s cities. When I asked the chief minister of India’s most industrialized state, Vilasrao Deshmukh, whether India could learn something from the Chinese planned model of city development, he replied, “Yes, but with limits. China has often required that people have proof of a job before they can move to a city. This ensures that they don’t get millions of job-seekers who crowd into slums ringing around the city. I can’t do that. The Constitution of India guarantees freedom of movement. If someone wants to come and look for a job in Mumbai, he’s free to do so.”

India’s growth is taking place not because of the government but despite it. It is not top-down but bottom-up—messy, chaotic, and largely unplanned. The country’s key advantages are a genuine private sector, established rights of property and contract, independent courts, and the rule of law (even if it is often abused). India’s private sector is the backbone of its growth. In China, private companies did not exist twenty

years ago, in India, many date back a hundred years. And somehow they overcome obstacles, cut through red tape, bypass bad infrastructure—and make a buck. If they cannot export large goods because of bad highways and ports, they export software and services, things you can send over wires rather than roads. Gurcharan Das, former CEO of Procter & Gamble in India, quips, “The government sleeps at night and the economy grows.”

The most striking characteristic of India today is its human capital—a vast and growing population of entrepreneurs, managers, and business-savvy individuals. They are increasing in number, faster than anyone might have imaged, in part because they have easy access to the language of modernity, English. Unwittingly, Britain’s bequest of the English language might prove to be its most consequential legacy. Because of it, India’s managerial and entrepreneurial class is intimately familiar with Western business trends, with no need for translators or cultural guides. They read about computers, management theory, marketing strategy, and the latest innovations in science and technology. They speak globalization fluently.

The result is a country that looks like no other developing nation. India’s GDP is 50 percent services, 25 percent industry, and 25 percent agriculture. The only other countries that fit this profile are Portugal and Greece—middle-income countries that have passed through the first phases of mass industrialization and are entering the postindustrial economy. India is behind such economies in manufacturing and agriculture but ahead of them in services—a combination that no one could have planned. The role of the consumer in India’s growth has been similarly surprising. Most Asian success sto-

ries have been driven by government measures that force the people to save, producing growth through capital accumulation and market-friendly policies. In India, the consumer is king. Young Indian professionals don't wait to buy a house at the end of their lives with savings. They take out mortgages. The credit-card industry is growing at 35 percent a year. Personal consumption makes up a staggering 67 percent of GDP in India, much higher than in China (42 percent) or any other Asian country. The only country in the world where consumption is higher is America, at 70 percent.³

While Indian infrastructure is improving, and further additions and renovations to the country's airports, highways, and ports are planned, India will not look like China. Democracy may bring certain advantages for long-term development, but autocratic governments are able to plan and execute major infrastructure projects with unrivaled efficiency. This is apparent whether one compares China with India or with Britain. The architect Norman Foster pointed out to me that in the time it took for the environmental review process for *one* new building at Heathrow, Terminal Five, he will have built—start to finish—the entire new Beijing airport, which is larger than all five of Heathrow's terminals combined.

Yet even if great infrastructure pleases foreign travelers and investors and signals a country on the move, its economic impact can be exaggerated. When China was growing at its fastest, in the 1980s and early 1990s, it had terrible roads, bridges, and airports—far worse than India does today. Even in the developed world, the country with the best infrastructure does not always win. France has trains and roads that gleam next to America's creaky system. But it's the U.S. economy that has edged ahead for the last three decades. A vibrant

private sector can deliver extraordinary growth even when traveling on bad roads.

Some scholars argue that India's path has distinct advantages. MIT's Yasheng Huang points out that Indian companies use their capital far more efficiently than Chinese companies, in part because they do not have access to almost unlimited supplies of it.⁴ They benchmark to global standards and are better managed than Chinese firms. Despite starting its reforms later (and thus being earlier in the development cycle) than China, India has produced many more world-class companies, including Tata, Infosys, Ranbaxy, and Reliance. And its advantage is even more apparent at the lower levels. Every year, Japan awards the coveted Deming Prizes for managerial innovation. Over the last five years, they have been awarded more often to Indian companies than to firms from any other country, including Japan. India's financial sector is at least as transparent and efficient as any in developing Asia (that is, excluding Singapore and Hong Kong).

"The statistics don't capture the shift in mentality," says Vday Kotak, the founder of a booming financial services firm. "The India I grew up in is another country. The young people whom I work with today are just so much more confident and excited about what they can do here." The old assumption that "made in India" means second-rate is disappearing. Indian companies are buying stakes in Western companies because they think they can do a better job of managing them. Indian investment in Britain in 2006 and 2007 was larger than British investment in India.

And it's not just business. Urban India is bursting with enthusiasm. Fashion designers, writers, and artists talk about extending their influence across the globe. Bollywood movie

stars are growing their audience from its domestic "base" of half a billion by winning new fans outside of India. Cricket players are working on revamping the game to attract crowds abroad. It is as if hundreds of millions of people had suddenly discovered the keys to unlock their potential. As a famous Indian once put it, "A moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends and when the soul of a nation, long suppressed, finds utterance."

Those words, which Indians of a certain generation know by heart, were spoken by the country's first prime minister, Jawaharlal Nehru, just after midnight on August 15, 1947, when Britain transferred power to India's Constituent Assembly. Nehru was referring to the birth of India as an independent state. What is happening today is the birth of India as an independent society—boisterous, colorful, open, vibrant, and, above all, ready for change. India is diverging not only from its own past but also from the paths of other countries in Asia. It is not a quiet, controlled, quasi-authoritarian country that is slowly opening up according to plan. It is a noisy democracy that has finally empowered its people economically.

Indian newspapers reflect this shift. For decades their pages were dominated by affairs of the state. Usually written in cryptic insiders' jargon (PM TO PROPOSE CWC EXPANSION AT AICC MEET), they reported on the workings of the government, major political parties, and bureaucratic bodies. A small elite understood them, everyone else pretended to. Today, Indian papers are booming—a rare oasis of growth for print journalism—and overflowing with stories about businessmen, technological fads, fashion designers, shopping malls, and, of course, Bollywood (which now makes more movies a

year than Hollywood). Indian television has exploded, with new channels seeming to spring up every month. Even in the news business, the number and variety are bewildering. By 2006, India had almost two dozen all-news channels.⁵

There's more here than just glitz and glamour. Consider the response to the 2005 tsunami. In the past, the only response in India worth noting would have been the government's, which would have involved little more than coordinating foreign aid. In 2005, New Delhi refused offers of help from abroad (one more indication of growing national pride). But the more striking shift was elsewhere. Within two weeks after the tidal wave hit, Indians had privately donated \$80 million to the relief effort. Four years earlier, in 2001, it had taken a year to collect the same amount of money after a massive (7.9 Richter) earthquake in Gujarat. Private philanthropy in Asia has typically been a thin stream. When the rich give, they give to temples and holy men. But that seems to be changing. One of India's richest men, Azim Premji, a technology multimillionaire, has said he will leave the bulk of his fortune in a foundation, much as Bill Gates has. Anil Aggarwal, another self-made billionaire, has announced plans to donate \$1 billion toward setting up a new private university in Orissa, one of India's poorest regions. Private and nonprofit groups are getting involved in health care and education, taking on functions that should be the responsibility of the state. By some measures, more than 25 percent of schools and 80 percent of the health system in India now lie outside the state sector.⁶ The software firm Infosys Technologies has started its own corporate foundation to provide rural areas with hospitals, orphanages, classrooms, and schoolbooks.

All this sounds familiar. In one key regard, India—one of

the poorest countries in the world—looks strikingly similar to the wealthiest one, the United States of America. In both places, society has asserted its dominance over the state. Will that formula prove as successful in India as it has in America? Can society fill in for the state?

The Necessity for Government

The Indian state is often maligned, but on one front it has been a roaring success. India's democracy is truly extraordinary. Despite its poverty, India has sustained democratic government for almost sixty years. If you ask the question "What will India look like politically in twenty-five years?" the answer is obvious: "As it does today—a democracy." Democracy makes for populism, pandering, and delays. But it also makes for long-term stability.

India's political system owes much to the institutions put in place by the British over two hundred years ago. In many other parts of Asia and in Africa, the British were a relatively temporary presence. They were in India for centuries. They saw it as the jewel in their imperial crown and built lasting institutions of government throughout the country—courts, universities, administrative agencies. But perhaps even more importantly, India got very lucky with the vehicle of its independence, the Congress Party, and its first generation of post-independence leaders, who nurtured the best traditions of the British and drew on older Indian customs to reinforce them. Men like Jawaharlal Nehru may not have gotten their economics right, but they understood political freedom and how to secure it.

The fact that a political and institutional framework

already exists is an important strength for India. Of course, pervasive corruption and political patronage have corroded many of these institutions, in some cases to the point of making them unrecognizable. India has a remarkably modern administrative structure—in theory. It has courts, bureaucracies, and agencies with the right makeup, mandate, and independence—in theory. But whatever the abuses of power, this basic structure brings tremendous advantages. India has not had to invent an independent central bank; it already had one. It will not need to create independent courts; it can simply clean up the ones it has. And some of India's agencies, like its national Election Commission, are already honest, efficient, and widely respected.

If the Indian state has succeeded on some dimensions, however, it has failed on many others. In the 1950s and 1960s, India tried to modernize by creating a "mixed" economic model between capitalism and communism. The product was a shackled and overregulated private sector and a massively inefficient and corrupt public sector. The results were poor, and in the 1970s, as India became more socialist, they became disastrous. In 1960, India's per capita GDP was higher than China's and 70 percent that of South Korea; today, it is less than two-fifths of China's. South Korea's is twenty times larger.

Perhaps most depressing is India's score on the United Nations Human Development Index, which gauges countries not just by income but by health, literacy, and other such measures as well. India ranks 128 out of 177 countries—behind Syria, Sri Lanka, Vietnam, and the Dominican Republic. Female literacy is a shockingly low 48 percent. Despite mountains of rhetoric about helping the poor, India's government has done little for them, even when compared with the

governments of many other poor countries. It has made too few investments in human beings—in their health and education—and when budgeted, the money has rarely been well spent. In the 1980s, Prime Minister Rajiv Gandhi estimated that, of every ten rupees that was supposed to be spent on the poor, just one actually got to the person in need.

Can these problems be blamed on democracy? Not entirely. Bad policies and administration produce failure whether pursued by dictators or by democrats. Still, certain aspects of democracy can prove problematic, especially in a country with rampant poverty, feudalism, and illiteracy. Democracy in India too often means not the will of the majority but the will of organized minorities—landowners, powerful castes, rich farmers, government unions, local thugs. (Nearly a fifth of the members of the Indian parliament have been accused of crimes, including embezzlement, rape, and murder.) These organized minorities are richer than most of their countrymen, and they plunder the state's coffers to stay that way. India's Communist Party, for example, campaigns not for economic growth to benefit the very poor but rather to maintain the relatively privileged conditions of unionized workers and party apparatchiks. In fact, India's left-wing is largely opposed to the policies that have finally reduced mass poverty. In all this ideological and political posturing, the interests of the 800 million Indians who earn less than two dollars a day often fall through the cracks.

But democracy can also right wrongs, as India's democracy has done on one crucial issue. In the 1990s, an ugly Hindu nationalism raged through the country and captured its politics, through the Bharatiya Janata Party (BJP). It whipped up Hindu animosities against Muslims and also exploited the

stark political reality that India's Muslim population is disempowered, almost by definition. Since those areas of British India where Muslims were a majority became Pakistan and Bangladesh, Muslims are almost everywhere in India a weak minority. Over time, though, the BJP's incitement of hatred and violence produced a backlash. A thoroughly secular government came to power in 2004, headed by Manmohan Singh, the former finance minister who opened up India's economy in the summer of 1991. In an act of wisdom and restraint, Sonia Gandhi, who led the ruling coalition to victory in the polls, chose to appoint Singh prime minister rather than take the job herself. As a result, quite unexpectedly, India's chaotic and often corrupt democratic system produced for its head of government a man of immense intelligence, unimpeachable integrity, and deep experience. Singh, an Oxford Ph.D., had already run the country's central bank, planning ministry, and finance ministry. His breadth, depth, and decency as a person are unmatched by any Indian prime minister since Nehru.

But Singh's stellar credentials and character haven't helped the country much. The pace of India's reforms has disappointed its well-wishers. Ever since the initial burst of reforms in the 1990s, governments in both New Delhi and in the states have been cautious in eliminating subsidies and protections. Nor have they pushed new pro-growth initiatives such as the creation of large economic zones or infrastructure projects. They have sometimes proposed new programs that look suspiciously like programs that have had little success in the past. But this paralysis cannot be blamed entirely upon the government. A change in the ruling party will not bring about Chinese-style reforms. Economic reforms produce growth, but they also produce dislocation—and those hurt by change

always protest more loudly than those who benefit. Add to that the messy politics of coalitions—someone, somewhere can always block a proposed reform—and you have a recipe for slow movement, one step forward and three-quarters of a step back. It is the price of democracy.

Despite the lack of far-reaching new policies, there is a quiet determination in both the public and the private sectors to keep moving forward. Behind the cacophony of Indian politics, there is actually a broad consensus on policy among the major players. The major opposition party, the BJP, criticizes the Singh government on two fronts—economic reforms and pro-Americanism. In fact, it took exactly the same positions as Singh when it was in government. The arrow may be moving slowly, but it moves in the right direction. Every week in India, one reads about a new set of regulations being eased or permissions being eliminated. These “stealth reforms”—too small to draw vigorous opposition from the unreconstructed left—add up. And India’s pro-reform constituency keeps growing. The middle class is already 300 million strong. Urban India is not all of India, but it is a large and influential chunk of it. And the vibrancy of the Indian private sector compensates in some measure for the stasis in the state sector.

In any event, there is no other way. Democracy is India’s destiny. A country so diverse and complex cannot really be governed any other way. The task for a smart Indian politician is to use democracy to the country’s advantage. In some ways this is already happening. The government has recently begun investing in rural education and health, and is focusing on improving agricultural productivity. Good economics can sometimes make for good politics—or at least that is the Indian hope. Democracy has also been broadened since 1993

to give villages greater voice in their affairs. Village councils must reserve 33 percent of their seats for women, and there are now one million elected women in villages across the country—giving them a platform from which to demand better education and health care. Freedom of information is also being expanded in the hope that people will insist on better government from their local leaders and administrators. It is bottom-up development, with society pushing the state.

Will the state respond? Built during the British Raj, massively expanded in India’s socialist era, it is filled with bureaucrats who are in love with their petty powers and privileges. They are joined by politicians who enjoy the power of patronage. Still others are wedded to ideas of Third World socialism and solidarity. In these views they are joined by many intellectuals and journalists, who are all well schooled in the latest radical ideas—circa 1968, when they were in college. As India changes, these old elites are being threatened and redoubling their efforts. Many in India’s ruling class are uncomfortable in the modern, open, commercial society they see growing around them.

In the end, government matters. Even India’s great success, its private companies, could not flourish without a well-regulated stock market and a financial system that has transparency, adjudication, and enforcement—all government functions. The booming telecommunications industry was created by intelligent government deregulation and reregulation. The Indian Institutes of Technology were created by the state. The private sector cannot solve India’s AIDS crisis or its rural education shortfalls or its environmental problems. Most Indians, particularly the poor, have only miserable interactions with their government. They find it inefficient or corrupt, and often both. That might be why anti-incumbent sentiment has

been the strongest force in Indian elections over the last three decades: Indians keep throwing the bums out, in the hope that government will get better. And voters have a point. If India's governance does not improve, the country will never fully achieve its potential.

This is perhaps the central paradox of India today. Its society is open, eager, and confident, ready to take on the world. But its state—its ruling class—is hesitant, cautious, and suspicious of the changing realities around it. Nowhere is this tension more obvious than in the realm of foreign policy, the increasingly large and important task of determining how India should fit into the new world.

Blind and Toothless

After winning its independence, India was eager to play a large role on the world stage. This ambition was inherited from Britain, which ran a great deal of its empire from New Delhi. It was from India that Britain administered Iraq in the decades after the First World War. It was Indian soldiers who carried out Britain's imperial crusades in the Middle East and elsewhere. The India Office was a critical center of world power, the most important extension of the British Empire, and Indians watched and learned the great-power game from the superpower of the age.

India's first prime minister, Nehru, was comfortable in that tradition. He had been educated like an English gentleman, at Harrow and Cambridge, traveled and read widely, and written extensively about world affairs. His grasp of history was extraordinary. During one of many spells in the prisons of British India,

this time from 1930 to 1933, he wrote a series of letters to his daughter that outlined the entire sweep of human history, from 6000 B.C. to the present day, detailing the rise and fall of empires, explaining wars and revolutions, and profiling kings and democrats—all without any access to a library. In 1934, the letters were collected and released as a book, *Glimpses of World History*, to international acclaim. The *New York Times* described it as "one of the most remarkable books ever published."

Not surprisingly, Nehru became the towering figure in Indian foreign policy. For his entire tenure as prime minister, from 1947 to 1964, he was his own foreign minister. One of India's first foreign secretaries,* K. P. S. Menon, explains in his autobiography, "We had no precedents to fall back upon, because India had no foreign policy of her own until she became independent. We did not even have a section for historical research until I created one. . . . Our policy therefore necessarily rested on the intuition of one man, who was Foreign Minister, Jawaharlal Nehru." This meant that India's early foreign policy was driven by Nehru's principles and prejudices, which were distinctive. Nehru was an idealist, even a moralist. He was for nonalignment and against the Cold War. His mentor, Mahatma Gandhi, was an unyielding pacifist. "An eye for an eye, a tooth for a tooth," Gandhi used to say, "and soon the world will be blind and toothless." The mahatma was revered in India almost like a god, and his strategy of nonviolence had brought down an empire. Like many of his followers, Nehru was determined to chart a new course in international affairs that lived up to those ideals.

* The foreign secretary is the senior-most foreign service officer (bureaucrat) in the ministry.

Nehru rooted India's foreign policy in abstract ideas rather than a strategic conception of national interests. He disdained alliances, pacts, and treaties, seeing them as part of the old rules of *realpolitik*, and was uninterested in military matters. He asked his friend Lord Mountbatten, the last British viceroy (who briefly served as India's first head of state), to organize the defense bureaucracy and intervened only to resist any recommendation that would give the uniformed military too much power, which reminded Nehru too much of Britain's imperial structure. When Mountbatten suggested that there be a powerful chief of defense staff, Nehru turned down the recommendation, since he wanted to have a civilian minister as the unrivaled boss. A week into his new government, he walked over to the defense ministry and was furious to find military officers working there (as they do in every defense ministry in the world). Since then, all armed service personnel who work in New Delhi's "South Block" wear civilian clothes. For much of Nehru's tenure, his defense minister was a close political confidant, V. K. Krishna Menon, who was even less interested in military matters, much preferring long-winded ideological combat in parliament to strategic planning.

Indian foreign policy in its early decades had an airy quality, full of rhetoric about peace and goodwill. Many Western observers believed these pieties to be a smoke screen behind which the nation was cannily pursuing its interests. But sometimes what you see is what you get. In many of his dealings, Nehru tended to put hope above calculation.* When he was

* In a recent book, *Nehru: The Inventor of India*, the UN diplomat and scholar Shashi Tharoor writes that, in 1952, Nehru refused a U.S. overture that it take over the permanent seat on the UN Security Council then held by Taiwan. Instead, he suggested that the seat be given to China.

warned that Communist China would probably seek to annex Tibet, for example, he doubted it, arguing that it would be a foolish and impractical adventure. And even after Beijing did annex Tibet, in 1951, Nehru would not reassess the nature of Chinese interests along India's northern border. Rather than negotiate the disputed boundary with China, he announced the Indian position unilaterally, convinced of its rightness. And so he was shattered when China invaded India in 1962, settling the dispute decisively in its favor. "We were getting out of touch with reality in the modern world and we were living in an artificial atmosphere of our creation," Nehru said in a national address. He was never the same again, and two years later died in office.

Although the rhetoric often remained sanctimonious, India's policies have become more realistic over the years. Ironically, they were especially tough-minded and shrewd during the reign of Nehru's daughter, Indira Gandhi. There was a quiet maturation of the country's foreign policy elite. And yet New Delhi was still not able to play a larger role in the world. Nehru and Indira Gandhi were international figures, but India operated under severe constraints. Conflict in the neighborhood—with Pakistan, China, Sri Lanka—kept it tied down and limited in its scope. In the Cold War, it ended up loosely allied with the Soviet Union and thus on the losing side of that long struggle. Finally and crucially, India's economic performance went from bad to worse, which placed deep limits on its resources, attractiveness, stature, and influence.

As the scholar C. Raja Mohan has pointed out, over the last decade, most of these conditions changed.⁷ The Cold War ended, India began booming, and relations with its neighbors—from China to Pakistan to tiny Bhutan—improved mar-

kedly. The result is that India has begun to play a much larger role in the world. It is poised to become a great power at last. And at the center of its new role is a much closer relationship with the United States of America.

The Eagle and the Cow

Most Americans would probably be surprised to learn that India is, by at least one measure, the most pro-American country in the world. The Pew Global Attitudes Survey released in June 2005 asked people in sixteen countries whether they had a favorable impression of the United States. A stunning 71 percent of Indians said yes. Only Americans had a more favorable view of America (83 percent). The numbers are somewhat lower in other surveys, but the basic finding remains true: Indians are extremely comfortable with and well disposed toward America.

One reason for this may be that for decades India's government tried to force anti-Americanism down its people's throats. (When explaining away India's miseries in the 1970s, politicians spoke so often of the "hidden hand"—by which they meant the CIA or American interference generally—that the cartoonist R. K. Laxman took to drawing an actual hand descending to cause all kinds of havoc.) But more important is the fact that Indians understand America. It is a noisy, open society with a chaotic democratic system, like theirs. Its capitalism looks distinctly like America's free-for-all. Many urban Indians are familiar with America, speak its language, and actually know someone who lives there, possibly even a relative.

The Indian American community has been a bridge

between the two cultures. The term often used to describe Indians leaving their country is "brain drain." But it has been more like brain gain, for both sides. Indians abroad have played a crucial role in opening up the mother country. They return to India with money, investment ideas, global standards, and, most important, a sense that Indians can achieve anything. An Indian parliamentarian once famously asked the then prime minister Indira Gandhi, "Why is it that Indians seem to succeed everywhere except in their own country?" Stories of Indians scaling the highest peaks in America have generated pride and emulation in India. Americans, for their part, have more readily embraced India because they have had a positive experience with Indians in America.

If Indians understand America, Americans understand India. They are puzzled and disturbed by impenetrable decision-making elites like the Chinese Politburo or the Iranian Council of Guardians. But a quarrelsome democracy that keeps moving backward, forward, and sideways—that they understand. During negotiations on nuclear issues, Americans watched what was going on in New Delhi—people opposed to the deal leaking negative stories from inside the government, political adversaries using the issue to score points on unrelated matters—and found it all very familiar. Similar things happen every day in Washington.

Most countries have relationships that are almost exclusively between governments. Think of the links between the United States and Saudi Arabia, which exist almost solely among a few dozen high officials. But sometimes bonds develop not merely between states but also between societies. The United States has developed relationships that are much more than just strategic in two other cases: with Britain and

later with Israel. In both, the ties were broad and deep, going well beyond government officials and diplomatic negotiations. The two countries knew each other and understood each other—and, as a result, became natural and almost permanent partners.

Such a relationship between the United States and India is, on some level, almost inevitable. Whether or not the two states sign new treaties, the two *societies* are becoming increasingly intertwined. A common language, a familiar worldview, and a growing fascination with each other is bringing together businessmen, nongovernmental activists, and writers. This doesn't mean that the United States and India will agree on every policy issue. After all, Roosevelt and Churchill disagreed about several issues during their close wartime alliance, most notably India's independence, and America broke with Britain over the Suez crisis in 1956. Ronald Reagan, a staunch supporter of Israel, condemned its invasion of Lebanon in 1978. Washington and New Delhi are big powers with complex foreign commitments and concerns. They have different interests and thus will inevitably have disputes over policy. Also, unlike Britain and America, they have different outlooks on the world. Indian history, religion, and culture will pull it away from a purely American view of the world.

The Hindu Worldview

Despite a growing sense of competition, India is actually moving closer to China in a certain respect, one that relates to the two countries' entries onto the global stage. India has moved away from the self-righteousness of the Nehru era as well as

the combativeness of Indira Gandhi's years. It is instead making development its overriding national priority, informing its foreign affairs as well as its domestic policies. Prime Minister Manmohan Singh has repeatedly articulated a goal for Indian foreign policy—peace and stability to allow for development—that sounds similar to the one articulated in Beijing. Indian politicians have become much more aware than ever before of the deep challenges of developing a vast society—especially a democratic one where domestic pressures are felt quickly and deeply—and so are focusing almost entirely on matters internal. External affairs are seen as a way to help with these paramount concerns. This tension—a country that is a world power and at the same time *very poor*—will tend to limit India's activism abroad. It will especially mean that India will not want to be seen as actively involved in a balancing strategy against China, which is becoming its chief trading partner.

There is also Indian culture, which has its own fundamental perspective and outlook on the world. Hindus, like Confucians, don't believe in God. They believe in *hundreds of thousands* of them. Every sect and subsect of Hinduism worships its own God, Goddess, or holy creature. Every family forges its own distinct version of Hinduism. You can pay your respects to some beliefs and not to others. You can believe in none at all. You can be a vegetarian or eat meat. You can pray or not pray. None of these choices determines whether you are a Hindu. There is no heresy or apostasy, because there is no core set of beliefs, no doctrine, and no commandments. Nothing is required, nothing is forbidden.

Sir Monier Monier-Williams, the Boden Professor of Sanskrit at Oxford University from 1860 to 1899, was perhaps the first Westerner to study Hinduism comprehensively. Born in

Bombay, he founded Oxford's Indian Institute, which became a training ground for future leaders of the British Raj. His book *Hinduism*, first published in 1877, drew on ancient Sanskrit texts as well practical knowledge of contemporary Hinduism. He wrote,

[Hinduism] is all tolerant. . . . It has its spiritual and its material aspect, its esoteric and exoteric, its subjective and objective, its rational and its irrational, its pure and its impure. It may be compared to a huge polygon. . . . It has one side for the practical, another for the severely moral, another for the devotional and imaginative, another for the sensuous and sensual, and another for the philosophical and speculative. Those who rest in ceremonial observances find it all-sufficient; those who deny the efficacy of works, and make faith the one requisite, need not wander from its pale; those who are addicted to sensual objects may have their tastes gratified; those who delight in meditating on the nature of God and Man, the relation of matter and spirit, the mystery of separate existence, and the origin of evil, may here indulge their love of speculation. And this capacity for almost endless expansion causes almost endless sectarian divisions even among the followers of any particular line of doctrine.

The most striking example of Hinduism's absorptive powers is the way it incorporated Buddhism. Buddha was Indian, and Buddhism was founded in India, but there are virtually no Buddhists in the country today. This is not a consequence of persecution. In fact, the opposite. Hinduism so fully absorbed the message of Buddhism that it simply enveloped the creed. Now, if you want to find Buddhists, you must go thousands

of miles from where it was founded, to Korea, Indonesia, and Japan.

The Bengali writer Nirad Chaudhuri was driven to exasperation by Hinduism's complexity. "The more one studies the details of the religion the more bewildering does it seem," he wrote. "It is not simply that one cannot form a clear-cut intellectual idea of the whole complex, it is not possible even to come away with a coherent emotional reaction."⁸ Hinduism is not really a "religion" in the Abrahamic sense of the word but a loose philosophy, one that has no answers but merely questions. The only clear guiding principle is *ambiguity*. If there is a central verse in Hinduism's most important text, the *Rig Veda*, it is the Creation Hymn. It reads, in part,

Who really knows, and who can swear,
How creation came, when or where!
Even gods came after creation's day,
Who really knows, who can truly say
When and how did creation start?
Did He do it? Or did He not?
Only He, up there, knows, maybe;
Or perhaps, not even He.

Compare that with the certainties of the Book of Genesis.

So what does all of this mean for the real world? Hindus are deeply practical. They can easily find an accommodation with the outside reality. Indian businessmen—who are still largely Hindu—can thrive in almost any atmosphere that allows for trade and commerce. Whether in America, Africa, or East Asia, Indian merchants have prospered in any country they live in. As long as they can place a small idol somewhere in

their home for worship or meditation, their own sense of Hinduism is fulfilled. As with Buddhism, Hinduism promotes tolerance of differences but also absorption of them. Islam in India has been altered through its contact with Hinduism, becoming less Abrahamic and more spiritual. Indian Muslims worship saints and shrines, celebrate music and art, and have a more practical outlook on life than many of their coreligionists abroad. While the rise of Islamic fundamentalism over the last few decades has pushed Islam in India backward, as it has everywhere, there are still broader societal forces pulling it along with the Indian mainstream. That may explain the remarkable statistic (which may prove to be an exaggeration) that though there are 150 million Muslims in India who watched the rise of the Taliban and Al Qaeda in neighboring Afghanistan and Pakistan, not one Indian Muslim has been found to be affiliated with Al Qaeda.

And what of foreign policy? It is clear that Indians are fundamentally more comfortable with ambiguity and uncertainty than many Westerners, certainly than Anglo-Americans. Indians are not likely to view foreign policy as a crusade or to see the conversion of others to democracy as a paramount national aspiration. The Hindu mind-set is to live and let live. So, Indians are also averse to public and binding commitments of the country's basic orientation. India will be uncomfortable with a designation as America's "chief ally" in Asia or as part of a new "special relationship." This discomfort with stark and explicit definitions of friend and foe might be an Asian trait. NATO might have been the perfect alliance for a group of Western countries—a formal alliance against Soviet expansionism, with institutions and military exercises. In Asia most nations will resist such explicit balancing mechanisms.

They might all hedge against China, but *none will ever admit it*. Whether because of culture or circumstance, it will be the power politics that dare not speak its name.

As in China, however, in India cultural DNA has to be layered with more recent history. In fact, India has lived through a unique Western experience as a part of the British Empire—learning English, adopting British political and legal institutions, running imperial policies. Liberal ideas now permeate Indian thought, to the point that they have become in many ways local. Nehru had his worldview and foreign policy formed of influences that were predominantly Western, liberal, and socialist. The debate about human rights and democracy that courses through the West today is one that finds a comfortable place in New Delhi, Mumbai, and Chennai. Indian newspapers and NGOs raise the same concerns and alarms as Western ones do. They make the same critiques of government policy as those in London, Paris, and Washington. But these attitudes are most true of India's English-speaking elite—still a minority in the country—that is in some ways more comfortable in the West's world than in its own. (Ask an educated Indian businessman, scholar, scientist, or bureaucrat what was the last book he read in a language other than English.) Mahatma Gandhi was a more distinctly Indian figure. His foreign policy ideas were a mixture of Hindu nonviolence and Western radicalism, topped up with a shrewd practicality that was probably shaped by his merchant class background. When Nehru called himself the "last" Englishman to rule India, he sensed that as the country developed, its own cultural roots would begin showing more clearly and would be ruled by more "authentic" Indians. These crosscutting Western and Indian influences are play-

ing themselves out on a very modern and fast-changing world stage, where economics and politics are pulling in sometimes different directions.

Nuclear Power

The proposed nuclear agreement between America and India offers a fascinating illustration of tension between a purely economic view of globalization, on the one hand, and power politics, on the other. In 2007, Washington put its relations with India onto a higher plane of cooperation with the negotiation of a nuclear agreement. This might sound like an issue for policy wonks, but the nuclear deal is actually a big deal. If successful, it will alter the strategic landscape, bringing India firmly and irrevocably onto the global stage as a major player, normalizing its furtive nuclear status, and cementing its partnership with the United States. It puts India on par with the other members of the nuclear club, America, Britain, France, Russia, and China.

According to the Nuclear Nonproliferation Treaty, a country that had nuclear weapons in 1968 is a legitimate nuclear-weapon state, and any country that developed them later is an outlaw. (It was the mother of all grandfather clauses.) India, which exploded a nuclear device in 1974, is the most important country, and the only potential global power, that lies outside the nonproliferation system. The Bush administration has argued that bringing it in is crucial to the system's survival. For similar reasons, Mohamed ElBaradei, head of the International Atomic Energy Agency (which is charged with monitoring and enforcing nonproliferation), has been a staunch

supporter of the Indo-U.S. agreement.⁹ The nuclear nonproliferation regime has always tempered idealism with a healthy dose of realism. The United States, after all, goes around the world telling countries that a few more nuclear warheads are dangerous and immoral—while holding on to thousands of nuclear weapons of its own.

For India, the nuclear deal comes down to something quite simple: Is India more like China or more like North Korea? New Delhi argues that the world should accept that India is a nuclear power, while India should in return be willing to make its program as safe and secure as possible. Until the Bush administration, for decades American policy was to try to reverse India's weapons program, a fruitless task. India has spent thirty-three years under American sanctions without budging—even when it was a much poorer country—and anyone who understands the country knows that it would happily spend many more before even thinking about giving up its nuclear weapons.

From an economic point of view, the nuclear deal is not that crucial for India. It would provide the country with greater access to civilian nuclear technologies, which is important to its energy needs. But that's a small part of its overall development trajectory. The incentives of globalization would seem to push New Delhi to stop wasting its time on this matter, focus on development while pushing off these concerns until a later date. There are many forms of alternative energy, and both Germany and Japan have managed to achieve great-power status without nuclear weapons.

India's nuclear aspirations, however, are about national pride and geopolitical strategy. Many Indian politicians and diplomats resent the fact that India will always have second-

class status compared with China, Russia, and the other major nuclear powers. In all those countries, not one reactor is under any inspection regime whatsoever, yet India would place at least two-thirds of its program under the eye of the International Atomic Energy Agency. The inequity with China especially offends New Delhi. Indian officials will quietly point out that China has a long history of abetting nuclear proliferation, most clearly through Pakistan. Yet the United States has an arrangement to share civilian nuclear technology with Beijing. India, they argue, is a democratic, transparent country with a perfect record of nonproliferation. Yet it has been denied such cooperation for the past thirty-three years.

On this issue, globalization and geopolitics operate on different levels. Many American advocates of nuclear disarmament—whom the Indians call “nonproliferation ayatollahs”—oppose the deal, or would settle for one only if India were to cap its production of fissile material. But, New Delhi says, look at a map: India is bordered by China and Pakistan, both nuclear-weapons states, neither of which has agreed to a mandatory cap. (China appears to have stopped producing plutonium, as have the other major powers, but this is a voluntary decision, made largely because it is awash in fissile material already.) India sees a mandatory cap as a one-sided nuclear freeze. This strategic reality figures into American calculations as well. The United States has long been opposed to a single hegemon dominating either Europe or Asia. Were India to be forced to cap its nuclear force—without corresponding constraints on China—the result would be a vast and growing imbalance of power in China’s favor. A former U.S. ambassador to India, Robert Blackwill, has asked, Why is it in the United States’ long-term national interest to favor an arrange-

ment by which China would become Asia’s dominant and unchallenged nuclear power?¹⁰

Bizarrely, the real stumbling block to the deal has come not from Washington but from New Delhi. On being handed the offer of a lifetime, some leading Indian politicians and intellectuals have refused. “We don’t seem to know how to take yes for an answer,” a commentator observed on the Indian all-news channel NDTV. While the Indian prime minister and some others at the top of the Indian government saw the immense opportunities the deal would open up for India, others were blinded by old nostrums and prejudice. Many Indian elites have continued to view the world through a Nehruvian prism—India as a poor, virtuous Third World country, whose foreign policy was neutral and detached (and, one might add, unsuccessful). They understand how to operate in that world, whom to beg from and whom to be belligerent with. But a world in which India is a great power and moves confidently across the global stage, setting rules and not merely being shaped by them, and in which it is a partner of the most powerful country in history—that is an altogether new and unsettling proposition. “Why is the United States being nice to us now?” several such commentators have asked me. In 2007, they were still searching for the hidden hand.

China’s mandarin class has been able to rethink its country’s new role as a world power with skill and effectiveness. So far, India’s elites have not shown themselves the equals of their neighbors. Whichever way the nuclear deal goes, the difficulties of its passage in New Delhi highlight the central constraint on the exercise of Indian power in the years ahead. India is a strong society with a weak state. It cannot harness its national power for national purpose.

A Geographic Expression

You can tell that India is a strange land not by looking at snake charmers but by observing its election results: In what other country would sizzling economic growth make you unpopular? In 2004, the ruling BJP coalition went to the polls with the economic wind at its back—the country was growing 9 percent. But the BJP lost the election. A cottage industry of intellectuals, many of them socialist in orientation, quickly explained that the prosperity had been hollow, that growth hadn't trickled down, and that the BJP had forgotten about the real India. But this explanation simply does not bear close examination. Poverty rates in India had fallen rapidly in the 1990s, in numbers large enough to be visible to all. And in any event, the puzzle continued after 2004. The Congress coalition (currently in power) has sustained growth over 8 percent for three years, and yet it has fared poorly in every regional election held since it took office. Even with legitimate concerns over inequality and the distribution of wealth, there is a connection between robust growth and government popularity in almost every country in the world. Why not in India?

India is Thomas (Tip) O'Neill's dreamland. "All politics is local," the former Speaker of the House of Representatives famously said. In India, that principle can be carved in stone. India's elections are not really national elections at all. They are rather simultaneous regional and local elections that have no common theme.

India's diversity is four thousand years old and deeply rooted in culture, language, and tradition. This is a country with seventeen languages and 22,000 dialects that was for cen-

turies a collection of hundreds of separate principalities, kingdoms, and states. When the British were leaving India, in 1947, the new government had to negotiate individual accession agreements with over five hundred rulers—bribing them, threatening them, and, in some cases, militarily coercing them into joining the Indian union. Since the decline of the Indian National Congress in the 1970s, no party in India has had a national footprint. Every government formed for the last two decades has been a coalition, comprising an accumulation of regional parties with little in common. Ruchir Sharma, who runs Morgan Stanley's \$35 billion emerging-markets portfolio, points out that a majority of the country's twenty-eight states have voted for a dominant regional party at the expense of a so-called national party.

Uttar Pradesh in 2007 provides a perfect example. U.P., as it is called in India, is the country's largest state. (Were it independent, its population would make it the sixth-largest country in the world.) During the 2007 campaign, the two national parties tried to run on what they saw as the great national issues. The BJP worked assiduously to revive Hindu nationalism; the Congress stressed its secularist credentials and boasted of the country's growth rate. The two parties came in a distant third and fourth, behind local parties that stressed purely local issues—in this case, the empowerment of the lower castes. What worked in U.P. might not work in the south, or even in Mumbai. The Hindu-Muslim divide might be crucially important in one set of states, but it is absent in others. Political leaders who are strong in Tamil Nadu have no following whatsoever in the north. Punjab has its own distinct political culture that relates to Sikh issues and the history of Hindu-Sikh relations. Politicians from Rajasthan have no

appeal in Karnataka. They cannot speak each other's language—literally. It would be like holding elections across Europe and trying to talk about the same issues with voters in Poland, Greece, France, and Ireland. Winston Churchill once said that India was “just a geographic term, with no more political personality than Europe.” Churchill was usually wrong about India, but on this issue, he had a point.

This diversity and division has many advantages. It adds to India's variety and societal energy, and it prevents the country from succumbing to dictatorship. When Indira Gandhi tried to run the government in an authoritarian and centralized manner in the 1970s, it simply didn't work, provoking violent revolts in six of its regions. Over the last two decades, Indian regionalism has flourished, and the country has found its natural order. Even hypernationalism becomes difficult in a diverse land. When the BJP tries to unleash Hindu chauvinism as a political weapon against India's Muslim minority, it often finds that lower-caste Hindus, as well as south Indians, are alienated and rattled by the rhetoric, which sounds exclusionary and upper-caste to them.

But this diversity and division also complicate the work of the Indian state. The constraints of the past decade are not transient phenomena that will fade; they are expressions of a structural reality in Indian politics. They make it difficult for New Delhi to define a national interest, mobilize the country behind it, and then execute a set of policies to achieve its goals, whether in economic reform or foreign policy. The prime minister cannot command national power the way that Nehru did, and in all probability no prime minister will ever do so again. The office has gone from commander in chief to chairman of the board, and the ruling party has become first

among equals in a coalition. The central government often gives in to the prerogatives and power of the regional governments, which are increasingly assertive and independent. In economic terms, this means a future of muddling along, minor reforms, and energy and experimentation at the state level. In foreign policy, it means no large shifts in approach, few major commitments, and a less active and energetic role on the world stage. India will have a larger role in international affairs than ever before. It will dominate South Asia. But it may not become the global power that some hope for and others fear. At least not for a while.

If there ever was a race between India and China, it's over. China's economy is three times the size of India's and is still growing at a faster clip. The law of compounding tells us that India can overtake China economically only if there are drastic and sustained shifts in both countries' trajectories that last for decades. The more likely scenario is that China will stay well ahead of India. But India can still capitalize on its advantages—a vast, growing economy, an attractive political democracy, a vibrant model of secularism and tolerance, a keen knowledge of both East and West, and a special relationship with America. If it can mobilize these forces and use them to its advantage, India will still make for a powerful package, whether it is technically number two, or three, or four in the world.

One experience relevant to India today is that of the United States of America in the late nineteenth century. Domestic constraints substantially slowed America's political rise to world power. By 1890, America had overtaken Britain as the world's leading economy, but in diplomatic and military terms, it was a second-rung power. Its army ranked fourteenth in the world, after Bulgaria's. Its navy was one-eighth the size of

Italy's, even though its industrial strength was by then thirteen times bigger. It participated in few international meetings or congresses, and its diplomats were small-time players in global affairs. Washington was a small, parochial town, its government had limited powers, and the presidency was not generally regarded as a pivotal post. That America was a weak state in the late nineteenth century was undeniable, and it took decades, large domestic changes, and deep international crises for this to change. In the aftermath of depressions and world wars, the American state—Washington—grew, centralized, and gained unquestioned precedence over the states. And presidents from Theodore Roosevelt to Woodrow Wilson began defining America as a world power.

Ultimately, the base of American power—a vibrant American society—was its greatest strength and its weakness. It produced America's gigantic economy and vibrant society. But it also made its rise halting, its course erratic, and its involvement on the world stage always fragile. Perhaps India will have a similar experience: it will have a society able to respond superbly to the opportunities of a globalized world, one that will grow and prosper in the global economy and society. But India's political system is weak and porous and thus not well equipped to play its rightful role in this new world. A series of crises might change all this, but absent a shock to the system, India's society will stay ahead of the Indian state in the new global game.

This tension between society and the state persists in America to this day. In fact, it's worth keeping in mind as we turn to the single most important player in the twenty-first century and ask how America itself will react to a post-American world.

5. The Ally

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