

New leaderships in India and Pakistan

by Ramtanu Maitra and Susan Maitra

The year 1989 ushered in new leaderships in both India and Pakistan. Although Benazir Bhutto's Pakistan People's Party took charge on Dec. 2, 1988, it was in 1989 that the people in Pakistan began to experience the effect of new leadership—a welcome respite after suffering through 11 years of unpopular military rule.

The change in India was somewhat less drastic but, perhaps, more surprising. Elected in 1984 with an unprecedented plurality, Prime Minister Rajiv Gandhi and his Congress-I party were in an unassailable position for five years to carry out a mandate handed to them by the Indian electorate. But, due to maladministration and inability to hold the price line on essential commodities, Prime Minister Gandhi and his party came a cropper in the November general elections. In early December, a minority government, led by V.P. Singh, the former finance minister under Rajiv Gandhi, took over in Delhi.

India's new government commands only 25% of parliamentary seats and hopes to stay alive with support from disparate forces ranging from Communists to Hindu chauvinists. Despite the potential instability of such a coalition, the basic policies guiding the country are not expected to change. The institutions that were set up during the last four decades and assiduously nurtured are strong and flexible enough to absorb many minor and larger disturbances. Observers in India believe the taking of power by a minority government, with support from outside the Cabinet, may turn out to be only such a "minor disturbance."

That is not to say that India can function without a functioning government at the center. While the approach to foreign relations, basic economic ordering, and industrial and agricultural goals will remain the same, some changes are expected in fiscal and financial policies. Still, strong leadership will be essential.

India's economy is at a crossroads. After decades of self-perpetuated stagnation, the late Indira Gandhi and then her son, Rajiv, had begun to lift some of the archaic licensing and regulatory laws, allowing the economy to get out of a straitjacket. Rajiv Gandhi's administration went for higher economic growth at the cost of large monetary expansion and burgeoning government debt—domestic and foreign. But without adequate infrastructure, the policy, which could otherwise lead to some real transformation of the economy,

lacked a foundation, and there was a lack of drive to implement policies to derive the maximum benefit. All these factors conspired to push the prices of basic commodities upward, making living more difficult for the poor and the financial situation highly unstable.

If no action is taken now, India will slide quickly into indebtedness so overwhelming that any hope for further economic development must be shelved. Since neither the industrial nor the agricultural sector has attained genuine maturity, the prospect of India shelling out more foreign exchange and domestic savings to meet the debt servicing requirements than it can earn is real and, in the long run, devastating.

In contrast to India's somewhat strong institutions, in Pakistan, Benazir Bhutto had to revive institutions which had been virtually shut down by a directionless and indifferent military regime. When she took power in December 1988, the country was deeply divided. She also inherited a near-bankrupt treasury and an economy her predecessor had turned over to the International Monetary Fund. To the west, Afghanistan, ruined by a decade-long Soviet occupation, had given rise to two major problems—5 million Afghan refugees had settled in the North West Frontier Province and Baluchistan, and a heroin-hashish manufacturing and supply network, pumping billions of dollars into the underground, was triggering violence all over Pakistan.

Bhutto has succeeded to a large extent in giving Pakistan a somewhat comfortable foreign policy direction, despite domestic opposition. She has moved toward blunting the anti-India lobby and developing a more open relationship with her neighbors. Her policy vis-à-vis the Afghan imbroglio, a longstanding problem exacerbated by the involvement of the two superpowers, China, and Iran, is not altogether well-defined but then, heading a minority government, it is not easy to do so. In Pakistan, the Afghan issue is a live political issue and various Islamic groups with trouble-making potential have taken positions which complicate the situation further. Her attempt to "soften" the Soviet attitude towards Pakistan has also met with success as is evident from the growing commercial ties between the two countries.

But the real test of Bhutto's foreign policy will lie in her ability to handle the two conflicting Islamic nations, Iran and Saudi Arabia, which, along with Iraq, have money-power and political clout among the Muslim believers all over the world. They also have exhibited definite designs in the solution of the Afghan crisis, and possess somewhat contorted relations with the superpowers and China.

In general, Bhutto's prospects depend heavily on whether she can move Pakistan's economy soon. Bankrupted during the military regime, Pakistan's economy is now in the dangerous grip of the IMF. So far, Bhutto has shown little inclination to do away with the IMF, an option which is surely made the more difficult by Bhutto's relations with the Bush administration. However, she is resisting austerity measures prescribed by the IMF.