

Chapter 3: Contemporary Indian Politics

The political scene in India is full of surprises. At present the government and opposition parties appear stable, things are as you might expect from a mature democracy. Debate rages on a number of issues and discussions on how to improve literacy or raise millions out of dire poverty can take place in a parallel room to conversations on improving the conditions for information technology investment. It is a world of paradoxes.

Just look at this comment from Salil Tripathi in the UK publication, *New Statesman*: "The next country to rush to the International Monetary Fund to get out of financial crisis may find that India is part of its lifeline. You read that right: India. In May and June [2003], India became a lender to the IMF, contributing £180m (\$275m) to a reserve fund used to bail out countries in a mess."¹

India has a huge national reserve of foreign exchange and is now contributing money to the IMF. A decade ago, this might have been unthinkable. Now Indian business leaders and politicians are not thinking so desperately about handouts from the IMF, they are up there at the top table thinking of their own long-term economic strategy.

Yet, for all the technology parks and political development since independence, India still suffers the politics of crushing poverty. The UK non-governmental organisation Traidcraft attempts to fight poverty through trade with people in countries, such as India. Traidcraft comment: "Poverty is still a critical issue that needs to be addressed. Of a total population of 1 billion, India has 433 million people who live below the poverty line. This constitutes 36 per cent of the world's poor. India ranks 115 out of 173 on the Human Development Index."² Traidcraft are working on a number of interesting projects in India, designed to stimulate a reduction in poverty through trade in basic products, such as cotton or tea. A new research project based on market intervention in the tea industry is aimed at tackling the crisis currently affecting the industry, which has led to over 500 starvation-related deaths in tea estates.

This chapter aims to introduce the most important people and issues of the present time in Indian politics. The main subjects outlined are:

What is the attitude towards the government in India?

How is outsourcing influencing politics at home and abroad?

Who leads the present Indian administration?

What do major commentators believe is the right direction for the Indian government?

Of course, as this book is focused on the outsourcing industry in India and how this creates a strong competitive advantage for India, it is worth first looking at how this industry and the government can beneficially interact. In *The Competitive Advantage of Nations*³, Professor Michael E. Porter describes the determinants of national competitive advantage as:

- *Factor Conditions.* The nation's position in factors of production, such as skilled labour or infrastructure, necessary to compete in a given industry.
- *Demand Conditions.* The nature of home demand for the industry's product or service.
- *Related and supporting industries.* The presence or absence in the nation of supplier industries and related industries that are internationally competitive.
- *Firm strategy, structure and rivalry.* The conditions in the nation governing how companies are created, organised, and managed and the nature of domestic rivalry.

Porter adds that the complete system of national competition is augmented by two other factors, chance and government. Chance is, by its very nature, impossible to control. A business leader cannot predict a major new invention or war, however the role of government is crucial and Porter admits that he considers it tempting to make government a fifth determinant.

Porter states: "Government's role in national competitive advantage is in influencing the four determinants. Government can influence (and can be influenced by) each of the four determinants either positively or negatively." He adds: "Factor conditions are affected through subsidies, policies toward the capital markets, policies toward education, and the like. Government's role in shaping local demand conditions is often more subtle. Government bodies establish local product standards or regulations that mandate or influence buyer needs."

The behaviour of the Indian government is therefore a key condition of the outsourcing industry as it influences every sector of industry. What do people feel about the administration?

Attitude to Government

The attitude of many business leaders to the government and the changes required to compete in a global economy are often negative. India existed in a state of global economic exile from independence until the reforms of the 1990s. Companies could not invest abroad and they were prevented from domestic growth, the control of the government was absolute.

The events of the last decade have swept through the nation and created an astounding pace of change. Gurcharan Das believes that the onset of the knowledge economy is the very catalyst India needs. In *India Unbound* he writes: "The beginning of the twenty-first century is a time of ferment. Two global trends have