

**THE CARNEGIE ENDOWMENT
FOR INTERNATIONAL PEACE**

**INDIA EMERGING – PROBLEMS AND PROSPECTS:
A VIEW FROM INSIDE**

**REMARKS BY
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**CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE
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ASHLEY TELLIS: (In progress) -- politics, served in the Vajpayee government; in fact, successively with ministerial rank in charge of several portfolios, and finally ended his ministerial career as the minister for privatization, which – for those of you who follow the twists and turns of India’s economic liberalization program will recognize how significant and how difficult a portfolio it was. And unlike most Indian ministers, who are quite content to bury their matters of business under the carpet, Mr. Shourie was quite transparent in his approach to the problem, and was actually courageous enough to defend that transparency, both in India’s parliament and outside it.

And if there is anything that has characterized his career, from his days as a journalist right to the point where he finished with his ministerial charge, it has been his personal courage and his commitment to really transforming India into the great power that it has always sought to be.

And this afternoon we are glad to have him with us at the endowment, and I’ve asked him to provide us with a set of reflections on what the quest for India’s great power looks like from the inside – inside I mean both an Indian perspective and a perspective from one who has served in government, if he feels comfortable in offering us those remarks.

And so with that by way of a poor introduction, let me welcome Arun to the Carnegie Endowment. Hopefully this will be the first of many visits, and I invite you to offer us your set of thoughts, after which I will open it up to the floor for questions, comments, and discussion.

We want to keep this as conversational as possible, and so we’ve even arranged the format of the room to support that. So without further ado, Arun, welcome.

ARUN SHOURIE: I am not accustomed to so many generous words. So for those who understand Urdu, I’ll just recapitulate four lines and translate them about the kinds of lovely things that you were saying. The line that just will translate better is – (speaks in Urdu) *Yeh teri sasoon ki thakun* – this heaping of your praise – (speaks in Urdu) *Yeh teri aankhhon ka sakoon*– this solace of your eyes – this, you know, of your looking at me this way – (speaks in Urdu) *Yeh sab kaheen rangeen sharart hi naa ho* – I’d hope that this is not just some one of your many tricks. (Laughter.) (Speaks in Urdu) *Jisay hum samaj baithay hain pyar ka andaz*– that which we have mistakenly taken to be a sign of love – (speaks in Urdu) – that way of talking – (speaks in Urdu – chuckles) *Who tabassum who takallum kahein teri aadat hi naa ho*– that it is – I hope it’s not just your habit that you greet every guest with such profuse words. (Laughter.)

I’m delighted. I came to this area in 1967 which makes us certainly – all of us feel very ancient, but I – our first month was spent in Dupont Hotel, just a block from

here, because all these – the people who used to be recruited to the Young Professionals Program at the World Bank is we're put up here for a month until we could find our apartments, and these were formidable black boxes for us. You know, these great institutions – Brookings, Carnegie and others.

Many of you know so much more about India than persons who are engaged in day-to-day things, would be able to give – the inside view I could give, and it certainly would have nothing to do with propositions provided Jesyl (ph) was not here to oversee, and you could – (laughter) – what I have to say because that would – that is a whole dimension that I have learned as a journalist by being in government about how policies are actually made and how different they are from what is written, and the interplay of persons and how things turn actually on random events, and who was there, who was not there. And sometimes you are just in the flight with the prime minister, and a matter which is unrelated to your portfolio comes in – comes up, but a decisive – I mean, things take a different turn just because somebody was there and somebody was not there, but on another occasion –

So on the question of India emerging, I think there is really a race in India between a society that has great creative energy, in a sense, which has been liberated because of the economic reforms. That creative energy has been liberated, and therefore, in that part of India is forging ahead. And this is reflected in new confidence, in actual achievements.

And on the other side, in my view – I'm sure many people would disagree – but a scaffolding of the state, which is really greatly weakened, and I would think – and sort of hollowed by termites. And that's the title of a book that I've just done. It's called – or will be – these are lectures for the army, and that “Will the Iron Fence” – which is the defense forces – “Save a Tree Hollowed by Termites?” This is the problem that – and it was my unvarying experience with – if we just were to transport ourselves to sit in parliament for a full day – I'd requested Bethany and Judy and others would come, and they were looking at China, and India would just spend a day in parliament. And it gives us a glimpse of the institutions of the state. That is a real problem.

And what the outcome of this race will be? Whether, in modernizing society, will be sufficiently inconvenienced by a state which is clogged or sclerotic, and thereby put enough pressure that, you know, reform yourselves, or that the collapse of institutions as in Bihar will then start impinging greatly on and restrict economic growth. In my view – and this is regarded as a mystic view – in my view, it is an open question.

The confidence that we can get is from – even the experience of the United States, very often when I read descriptions of American political – the political parties, written 40, 50 years ago, or the American political system even in the 1930s and 40s, we find the great – things being done outside the formal system: bosses, Tammany Hall politics, smoked-filled rooms, and things got greatly improved because of a modernizing society getting inconvenienced by incompetents or other bullies. So that is a reason for confidence that maybe India will go through that transition.

But in the way – the pace at which the world is proceeding, whether we have enough time or not for slow maturation of our institutions – that's the main – that's the main point about India today, I think.

As far as the releasing creative energies is concerned, there is absolutely no doubt that there is great progress across the board. I think this – across the board is not sufficiently realized by many friends, and it has been an experience for me also. People, for instance, focus a lot on – when I had privatization, I was also looking after telecom and information technology, and people see information technology and say, well, yes, India has done well in services. But in manufacturing, China is the one that has really done well.

But now I feel, when I go to the Indian factories in the last seven or eight years, Indian manufacturing capacity has been reinvented on the shop floor, and if we see – five years from now you will see a lot of talk about India's manufacturing capability that will have implications for our defense production, for various other things also, and for competitiveness, for trade.

And the second point is that across the board, while these leaps are visible, they have really just begun to scratch the surface. If we think of services, whether it is in chartered accountancy, outsourcing or legal service, or distant diagnosis or surgery, or being educators, the same conditions will apply, and therefore – and they would have a great advantage in these new types of services. And in manufacturing, of course, the distance between what it costs in other economies – and especially developed economies – and what a comparable product or service would cost in – yes, it's really very great Prahalad and all of us have been giving these figures. And each of these figures is absolutely astonishing because Indian products, Indian services are provided at one-tenth to one-fourth the cost – actually sometimes even lesser than that.

And in drug discovery, in automobile design – when I read – to give you a typical figure that when we read that it takes about a billion dollars for General Motors to design a new model, the entire Tata project, from beginning to end, from concept to design to putting the car on the market cost \$110 million – not just design. But these are typical figures which are well-known, so I think that we are – all these will get reflected in the coming years, and we are just scratching that surface.

And the third point is that actually the last ten years show that India is capable of seizing these opportunities. In my own field in the media, for instance, I have a lot of complaints about the content of the media, but if you see the simple fact that 15 years ago, probably we had only one channel; now we have maybe a hundred channels in television. Each time an aperture has opened, there has been a flood of persons who have the requisite talent and are able to master the new skills for filling that – for grasping that new opportunity.

Similarly, the alacrity with which Indians adopt new things and new ways – this whole perception of India being an old society, you should look at the relative acreage on the different crops and how sensitive it is to movements of relative prices of those crops; or the – in our state in Punjab, the black market in every new seed that comes out, which is promising. At once it is – in those days where the supplies was to be controlled, there would be a black market in that.

So the adoption of new technologies, of new ways is a great advantage for a society, and at the same time, at least thus far, the traditional strengths of such a society; for instance, the strong bonds of the family, and therefore the sacrifice that parents would make to deny themselves one thing after the other so that the children could have better education, and I could give you many impressions, which other who reported to me – people from Microsoft and others – who have come to India, and this has been their great mutual impression that they have said.

There are many problems, also, in the economy. I think there are two main problems at this time. One is governmental finances. We have not been able to make any progress – well, not any, but not sufficient progress on reining in expenditures.

We've done good work in tax reform, and successive finance ministers have done that, and that shows the continuity of policy also. But on controlling expenditure, whether it is, for instance, on subsidies or it is, for instance, raising finances for infrastructure, we have – in my view, we could have about a hundred thousand crores – 70 – 70,000 crores would be how much money? (Pause.) Well, it's an enormous amount of money –

MR. : Seventy thousand million.

MR. SHOURIE: Seventy thousand –

MR. : Million.

MR. SHOURIE: So 70 billion – we could have 70 billion raised in two years or so just by privatization and actually unleashing the productive enterprise in those units which are doing nothing. But we are not able to do it, and this – we have just killed it again – for no good reason, but for reasons – which I'll just explain why things get killed that are promising.

On the other side there is a problem that neither manufacturing – because modern manufacturing will require great precision. In automobile parts – it's one of our growth stories of the last five years from just about \$375 million, this year we'll probably have exports of about \$2-1/2 billion – a leap. But when I go to the factory like Bharat Forge, everything is done now, it is computer-aided design, computer-aided manufacturing, and the precision – because the demand is such that the user would want the precision measured in microns. So it is all by laser.

Our concept of an automobile component coming from Punjab is to be the first person with a hammer that would get it right. (Laughter.) But now it is this way.

So the consequence is that with modern manufacturing we are not going to get that kind of employment, which would involve millions. That can only come from infrastructure, which requires new methods of financing and better execution on which we have not made great advances. And second, it can come only from agriculture, on which I am much more hopeful than in other ways, but that would also mean doing new things with agriculture.

This is a point because unless we are able to attend to this, what we – what McKenzie and others put as one of our great strengths can suddenly turn into a very great problem. They are all saying that, look here; India has one of the youngest age profiles in the world, and this is India's great strengths, given the prospective shortage in Japan and Europe of employment of people or their rising dependency ratios.

But if we cannot provide 83 million jobs in the next four years – and that's not an easy task – then that very asset is going to become a really big problem. So achievements do not – we just deal with our problems.

But that is one side. I think the other problem is really – the other side of the contest is on this – the paralysis of institutions of the state and, as a consequence, large swaths of the country falling off the map – in Bihar, in Jharkand, in large parts of the northeast. It's just – government's presence is not there, and that is now not just a problem for economic development. People will go elsewhere.

Now it's – then it became a problem of security for day-to-day life. But now it is certainly an open invitation to enemies who would want to take advantage of difficulties of the other country. These attacks by Maoists, combined attacks from Nepal and of Indian Maoists – it's done in a typical way in which 2,000 people are able to gather and attack and finish a police station. This was the typical technology adopted in Nepal, and that is – those are the – people are coming, and when the Indian Naxalites would have given – been the conduits of arms to Nepal, so it has become a security issue at this time.

The fount of this, the real problem of all institutions – we could describe the – I've done a book on the Supreme Court, 200 judgments. You would see the same feature, you would see the bureaucracy to the same problem, legislature to the same problem. The fount of this is the average legislator of a electoral system that at present is not able to give now to – through a person of sufficient competence.

And secondly, the electorate has got more and more splintered so that in the current parliament, more than two-thirds of the legislators have been elected by less than one-third of the electorate in each constituency – in certain cases, by just 12 percent of the electorate. So the incentive for me is to inflame and to differ and to get – to sew a sense of differentiation in that 12 percent by becoming the leader of some sub-caste or some small religious group in that area, frighten it, convince it that it is different, it is

being set upon by others, and that is how I come to the legislature and there are persons who – with just that kind of politics with very – with a constituency which is very small, not more than a – they were not known beyond their district. The person became a prime minister, a person became a deputy prime minister in – (unintelligible). It just becomes a lottery after that, and the more splintered the electorate, the more splintered the parliament, the more splintered the cabinet or the council of ministers becomes.

What we used to hear about the conditions in Bihar or UP, you can now see symptoms of that in the central government, and in the central legislature. And there is no easy remedy out of this -- and because the change – voting on the change is in the hands of persons who are the beneficiaries of the existing arrangements. So either great public opinion can be built up, pressure, or an enlightened leadership takes – forces the change or we wait for a breakdown and thereby enable a weak political – fragmented political class to at last do the right thing. That was the sequence on economic reform, but it is a big question, and I therefore feel that there was a great opportunity.

Mechanical solutions do not solve problems, but they sometimes enable or incentivize a particular type of behavior, which is better for the country, and therefore I looked forward to the work of the Constitution Review Commission, which had been set up under Mr. Vajpayee's government. But unfortunately, they just became so defensive. They were attacked so furiously that they just in the end busied themselves writing essays and writing footnotes of existing articles of the constitution.

But we really need to think again about many of the fundamental structure of the constitution, the relation between the executive and the legislature, whether for instance you want two rounds in the election so that the second round is as a defense system between the first two, so that whoever comes gets more than 51 percent, because the larger the area that I have to contest from, the larger the catchment that I have to get water from, the more I will round off my corners. Today, we are giving the incentive for the opposite, so I would think that we should all be exercising our minds on those. That small contribution of mechanical solutions to an overall situation. And also therefore in cottage industry and others, why do you keep giving money to these fellows. You also be a pressure group that you would not give money to better candidates fielded by that particular party. So a combination of things, so economy forging ahead, institutions of the state needs urgent repair.

MR. TELLIS: Thank you, Arun. Let me open the floor and I want to do this in a way that we can sustain a conversation if possible on a single set of issues, and so if there are many issues, we'll do them sequentially. But I'll try and play the role of an umpire to the degree possible. But this is really meant to be as interactive as we can make it. So please feel free if you have an intervention, please identify yourself, so that Mr. Shourie knows who you are. But the floor is open.

Q: Thank you, Arun. And thank you also for your remarks about the Constitutional Review Committee, because I read that report very carefully myself and was as despondent as you are. But just taking up this point of electoral reform, besides

the fact -- as you point out -- that the people who benefited from the existing system aren't likely to change it, those of us who write about India or speak about India, we look on universal adult franchise in the democratic system as one of our greatest strengths. So how would you get over this problem? I mean, if you introduce two or three or four-tier elections, then you are in effect introducing indirect election, which is one of the things that members of the review committee did suggest. And indirect election, certainly in my opinion, brings in perhaps even greater evils than direct election.

MR. SHOURIE: But, I did not convey never the idea of indirect elections. No, the two rounds is different from indirect.. The proposal – would you like to complete before I start?

Q: No, I just wanted you to elaborate on this –

MR. SHOURIE: Actually, sort of what happened was that there was as you know in the early '60s, in a very famous lecture, Mr. Jai Prakash Narayan had given that proposal for basic democracies and so on, in which he said that we should only ask the voter the question, which he can actually answer. So at the village level or at the mohalla level, the person can answer the questions really about his locality. Ask him that question. He then elects district people. They elect state people. And they elect the central legislature. He had a stronger executive in mind. It was a lecture called a plea for the reconstruction of the Indian polity. This was then followed by Mr. Bika Nehru, who said that it was not a good idea because the smaller the number of persons who are to elect, the easier it is to manipulate them. And he therefore advocated – he was a very strong advocate of the presidential system and that we should go all the way for that, because we required a strong executive and if nobody could become the president of India by appealing to one narrow group like a caste, there is no pan-Indian caste in that sense and it is already a pleas for many differences, but more or less an American system, which has worked here.

Others give intermediate ideas, like Mr. L.P. Singh's book called Electoral Reform. He was one of our most distinguished civil servants and his proposal had been a German electoral system, not with full proportional representation, but with larger multi-member constituencies. These are well tried-out systems, the idea there being that you would then have -- nobody with an extreme agenda would be able to get enough votes to go through that, and also that here is a constituency, which is, let's say, five times the existing constituency and each party will field a list of five candidates in the group, and in that group – in that large area, you would have proportional representation. But the result would be that each of them would have to address a larger audience and at least one or two persons you could get who could not otherwise get elected. They would be people who are competent to actually then enable you to choose the executive from.

Another proposal was that no, say 15, 20 percent of the executive can be from outside the legislature. The two rounds are different, but in the first round, everybody can stand. But everybody then gets 12 percent of the votes. The winner gets 12 percent. Then you have a second round in which only the ones who got the first, the winner and

the runner-up, only they can compete, as in the French presidential election. Again, the person would have to have a more harmonious campaign for winning.

But I am not saying this or that, but these are the sorts of things on which we should start working. Similarly, on qualifications for – not for electors, they remain universal – but for the candidates. Today, people who have six murder cases against them, who have alliances with terrorists, everybody knows that, there is no way to stop them from becoming candidates. And now it so happens, please I don't want to say anything about the present government and so on, but to become ministers. And they did it. So now, that government, a country of a billion people with our complexities and of our potential cannot be mortgaged in this way and we stand helplessly saying that no, no, no, it is democracy. 70 percent of the people are illiterate, therefore 70 percent of the legislature being illiterate is represented – can't have that.

So we must start this – and I could give you a lot of scriptural authority as you have for advocating this. In his last – in his concluding address to the constituent assembly, the then-president of the assembly who became our first president, Dr. Rajendra Prasad, said that he had two regrets. One was that the document was not available simultaneously to be signed, but the other one was that the constituent assembly had not been able to address this question of qualifications for legislators and that the country would pay dearly for this. So we could start from that –

Q: Could I follow up a little bit? Where do you think the Panchayati Raj system would fit into this thing?

MR. SHOURIE: Sir, I am quite ambivalent. It is an act of faith in the sense that once you give power, once you give financial authority, things will automatically improve, maybe in the third or fourth round. I am less hopeful on that unless other things also are simultaneously done, because merely devolving authority or this business of new lines on organizational charts, they don't work. In fact, the first round in village society is getting divided and polarized because funds are now available. If I get that post or I can build my wife into getting that post, I have a hand on that resource of the state. So that's one of the reasons for greater turnouts in some areas of elections.

So I don't think it's going to automatically happen until other things like accountability right from the top at that level for persons who get elected, persons who occupy office, those things are introduced. But it is yet another slogan in which you talk about against Panchayati Raj in the Indian Parliament would mean that you like on other things also are anti-people. So evidence is shut out, argument is shut out.

Q: Grant Smith formerly in India, but now with SAIS. Can I take you back to your original proposition today, that very promising, almost exploding economic scene in India treated with restraint, but the hollowed-out government that has the potential of undermining that. So you've drawn a linkage between these two processes in one way. Is there a linkage in the other way? In other words, is the expansion, the dynamism also potentially influencing the problem areas? And if so, how? Does the media play a role

here? Or in other words, are there other processes underway that will help resolve the problem of the hollowed-out government?

MR. SHOURIE: Sir, yes and no. There are many processes in society, for instance, there is much greater awareness because of availability of television channels, the enormous spread of Indian-language newspapers, and in any case, in India, the word of mouth travels very, very far. But on the other side, I am sure that those who read Indian newspapers and know what is going on, that there is the superciliousness has become the reigning ideology of Indian media. We are above this.

I remember an owner of a newspaper, a young person. There has been a generational change in both owners and editors and therefore, persons who are just out of graduate school, just because they can speak English, they get a microphone – sir, are you for it or against it, Sir in brief. (Laughter.) Ashley Tellis is an authority on the nuclear deal. You better hear him for something. No Sir detail baad mein. It didn't bug me. (Laughter.) For it or against it – so everything becomes – (inaudible) – one is person who is against, one is for.

So once in an aircraft, I went, and one of these newspaper owners, we were talking. I asked him, aren't you reading the damn nonsense your such-and-such correspondent is writing about Kashmir? He said to me in Hindi, he said – (in Hindi) *Arun Bhai yahee to aap mein or hum mein untar hay*. This is the difference between you and me. You are still reading our paper. (Laughter.) Kashmir?

I have given an illustration in this book of mine. For two and a half months last year, Manipur was in complete chaos. It's a small state, but it is like everything else a part of India and is with strategic place. I was just, it was completely – it already started with many handicaps. I do not know how many of you know that the current revenue of Manipur is 60 crores a year. It's current expenses of the government are 1,200 crores a year. So it's not a viable state, but it was created for regional sentiments for good reason. For the wrong reasons, it just went out of hand.

In those two and a half months, the two biggest newspapers in Delhi were preoccupied with two issues, Hindustan Times and Times of India with two issues. One was, why should liquor vends not be open until 12 midnight? And second Hindustan Times was, why should shops not be allowed to be open for 24 hours? So the media is a large part of the problem today. And it used to be the case – first it started in sports journalism thirty years ago of stories being planted. Then, it came to corporate journalism. And now, I would attend a meeting of the Cabinet and tomorrow there is a whole account of it. It is completely different from what happened. Somebody has fed it and the others have swallowed and vomited. So it is a large part of the problem, and I would sincerely hope that things would be different in this way.

Q: True story?

MR. SHOURIE: Yes, could be. But other systems are working here, you see. In our case, we need to give history a helping hand and the media would be one of the best instruments for doing that. All this business of constitutional reform and all, and if it's all just yes or no, for it or against it, then how will they – these are very big changes to think about in a society, and they can't just be brought about with a supercilious media.

(Audio break, tape change.)

Q: (Off mike.)

MR. SHOURIE: Even more consequences.

(Laughter.)

Q: (Off mike.) So this emphasis on privatization sometimes has become a kind of sacred cow which is not borne out by many studies. The sins of private-sector India are as many as the sins of the public sector.

The second thing -- about the reference to the violent things, we have lived with this lack of – (off mike). Recent experience has suggested that lack of social cohesion perhaps become more important than even military might or economic growth or – (off mike) – and in this context I expect, perhaps, with your – (off mike) – background and with your exposure to modern education, you will be sort of fighting against those forces which are trying to undermine social cohesion and create bigotry. I do not know what you have done because I have been away from India.

The other thing is of course your reaction to nuclear deal. Briefly yes or no? (Laughter.) (Off mike.) Another thing: Do you support Mr. – (off mike) continuation as – (off mike)?

MR. SHOURIE: Mr. Lt Sharma and I have been old colleagues and he is now a skilled parliamentarian. In parliament we are allowed to ask one question and we ask four. (Laughter.) And many of us conclude our speeches thrice. (Laughter.)

On the four points that you have made, firstly on privatization I completely agree with you. There is no sacred-cow business and not an overemphasis – it was a very small part and because it has been done for the first time it was therefore a contentious part, and the media made it a very big point on this. You are absolutely right.

And these are not either/or; it is and/also. You are right that because of the liberalization that's in the aviation sector, the Indian Airlines has had to improve because of the revolutionary changes that were brought about in telecom policy during Mr. Vajpayee's government. The state enterprises BSNL, MTNL have also had to improve, and they've done extremely well in – their response has been very creative and good in many ways. So there is absolutely no disputing that. But there is also – I could document at great length that many of our large enterprises have enormous productive

potential which is just not getting used because of the governmental character of those enterprises.

To give you just one of 50 examples I could give offhand, as you know, aluminum is bauxite plus power. In Bell Co. a captive power plant decision and then a smelter, the decision – the taking of the decision took seven years. It's documented by the – (unintelligible) – Commission. The plant will come after that, but because of the governmental nature of these enterprises – (unintelligible) – phosphates – they just get rock phosphate from Morocco and Tunisia and convert it into good fertilizer, for which there is enormous demand. It was losing 20 crores a month. Since privatization, exactly the same number of workers, same workers, only six managers brought by the – (unintelligible) – and the production has not increased by 25 percent or 50 percent or 100 percent or 200 percent but by 250 percent. Wages have gone up by 30 percent, and so on.

I'm not saying only privatization I think, but it was one of them, and I know that Dr. Manmoham Singh – (unintelligible) – and others would want that done but today they just are dependent on the communists whose residual base outside these two, three geographical areas is in the unions of governmental enterprises, so they don't let things proceed. And they want to show that – as the chief minister of West Bengal said, that the situation has come about in which if we said to the government, stand up, they have to stand up. If he says, sit down, they are to sit down. So they feel compelled to demonstrate this every second day. So on things – and privatization are handles on this, and a nuclear deal would be another handle of this. The pipeline would be another handle, another occasion for all this.

On the question of social cohesion, yes, absolutely it is necessary, but I remember one of the best remarks about India I heard was from – (unintelligible) – that he said – we were together at some place and he said that he had been going to India for 40 years, and each time he had gone to India he saw India convulsed in a crisis, and it seemed that this time it would not be able to come out of it. And it took him a long time to realize that each time he came, there was a new crisis. The old crisis had been subsumed.
(Laughter.)

So social cohesion, it is the same way. You throw a rock into the sea – lot of water then – it is a resilient and cohesive society. Many commentators forget that. I remember when we were in the newspaper and these killings of Sikhs were going in Delhi, and before that all this thing had gone on in Punjab for four or five years. Everybody said Hindus and Sikhs will never be together again. I know that in our house my grandmother would only have the recitation of the Granth Sahib. I couldn't see how it will not go on, but it was the conventional wisdom. Today it is said in Gujarat, Hindus and Muslims will never be together. You go to Gujarat and see. In this media business, in this secular communal debate Narendra Modi is the great Frankenstein's monster. But you go to Gujarat and see – not about people but about what they say about him personally.

So we must have much greater confidence in this. My own writing has been condemned by newspapers in both of us worked as communal. But that is because I was the first to write about the way Sikhism was being used to inflame people. I was among the first to write about Vindren Vali (ph) and what he would mean to the people of Punjab. And all these commentators said, oh, you are communal? I was among the first to write about Islamic terrorism – Islamic terrorism, not terrorism in general. And I trust that there is a core of teachings. People don't read the Koran, people don't read the Hadis. When I read them and write about them they're, oh, communist, communist. Thereby, those who do not read them are sowing the seeds of division and great problems because of political correctness and of subservience and cowardliness in the face of intellectual fashions.

So we are all for social cohesion, and it is not going to be promoted by shutting of our eyes when these other questions about the nuclear deal – we have this great authority. On the question of Mr. Adwani continuing or not, I will take the Fifth. (Laughter.)

Please.

Q: Yes, my name is Krishna Kumar. I have one small comment and one question. I have been studying for the last two or three years media in different countries in USAID. And one thing I found was some of your grievances against Indian media are universal. I was in Russia, I talked with so many readers, same problem. I've been to Bosnia, everywhere. My question to you is if I can shift your focus from India towards Pakistan, what is your impression about doing rapprochement with Pakistan – would it continue? And do you think it would be – Kashmir could be a breach between India and Pakistan rather than – what is your own assessment?

MR. SHOURIE: Sir, many people, again, know Pakistan better than I do, but I, like you, have devoted a lot of time to studying about it. I think there is a perception – a change in perception among the – if I may say so – the people of Pakistan but not among the people who control the state and are now controlling the society of Pakistan. That is a problem, again which has been obscured by this great enthusiasm. We do swing, as was pointed out – Sharma was pointing out about the media, Western media, but in India also we swing to enthusiasms and dejection. And therefore I have been very wary, even when Mr. Vajpayee announced a resumption of the peace process, about the eventual outcome. But I felt – this was just a subjective thing that I felt, having seen him at close quarters, that when he was doing this he could keep the initiative in his hand in the peace process, so I felt more secure than I do now.

Maybe the terrorists will prevent any great concessions from India. But otherwise there is – I do not see – what I would watch for is not what Mr. Musharraf called – President Musharraf called – *Naya dil lay kay aya hoon* – I've come with a new heart. I would not rely as much on that as on looking for indications of a shift in the nature of the Pakistani state or the nature of the Pakistani society. All the reports of international crisis groups and other parties that are regularly monitoring the developments, sure that the hold of the military and of the mullahs remains as much. So I think tread cautiously but

that there is great enthusiasm on both sides among the people. I think there is no doubt on that. And maybe that will register – that registers more in governments in societies like India than it registers on governments in societies like Pakistan.

Yes?

Q: Arun, it's lovely to see you again on this side of the Atlantic. I want to go back to India to reflect on the – (off mike) – in terms of foreign policy in reorienting and rethinking any of its foreign policy. Sitting at this safe distance it looks to me as if substantial amounts of that has become the new foreign policy. My first question is, do you think this is a fair observation? My second question is will the BJP still be part of that consensus – (off mike) – opposition where they're sometimes attempting to oppose and sometimes – (off mike)?

MR. SHOURIE: Yes, I think it is a consensus, but it is a consensus which is also this time tinged with a greater alertness, that it is in our interest at the moment – the steps which let's say Mr. Vajpayee has initiated, which Dr. Manmoham Singh is getting forward and so on, that these are in the interest of the country. But there is a realization that other countries will all act in their own interest, in the interest of the moment, in the interest as perceived by a very small handful at that moment. Their perceptions can be different; their perceptions may inflict cost on us, as happened let's say in Taliban.

So a greater alertness is required. And I think that even in relationships between the U.S. and India – for instance the changes in the sentiments that have come about – that they should be tinged with this realization. Both sides have to recognize that, yes, it's not only legitimate but certain that each side will act in its own interests as perceived at that moment, as perceived by a very small group at that moment. A person who knows much more for instance than me was telling me that a change of personnel may well have made a difference in regard to this nuclear deal, from the American side. So these are changes that are almost random from time to time.

Second point about – you are right that in India it has become almost – that the persons who are in office at one time to a particular thing; others were outside the office, shout against that. When they come to office they continue the same thing and the shouting starts – the persons who are implementing the policies in the first instance. I could give many examples from privatization on that sphere.

But on the question at the moment about this nuclear policy, from where you might have got the idea of Vajpayee opposing this. I can report firsthand that when the agreement – at least the text of the agreement was first seen by two, three persons, they felt that things which they had refused to go along with were now accepted. Maybe they did not read it – there are things hidden which we were not privy to, but I know that it was a genuine concern at that time. Over the next few months maybe those things will get clarified.

I'll give one example. For instance, in both the statement that Mr. Vajpayee made and in the comments that others who work on these matters – (unintelligible) – and others have written, and I think this is the view among – I know that this is the view among some scientists also, that India has committed itself to a certain regime, has committed itself by using the word “assurance” that such and such things would happen, while President Bush has said that the executive here would work with the Congress and with allies.

Now, this has been commented upon adversely in Mr. Vajpayee's statement, it is commented upon adversely by many commentators, but over the next six months if the time schedule is that the president here would be able to persuade the Congress or has a target of persuading the Congress before he goes to India next year, then the problem will be solved in fact, that particular issue. Would he be able to pursue the allies? I've seen – contrary to quotes of what Britain has said – in one case they say that they are not going to lift the restrictions; in another report they say they are going to lift the restrictions, but I was told that given the special relationship between President Bush and Prime Minister Blair that Blair will go along. Russia has welcomed it, France is eager to sell its fuel as well as its nuclear reactors, China will just keep quiet. Then again, that issue is solved.

So there are seven, eight points which have been made by responsible people in India, and maybe – for instance, is there or is there not a cap on production of fissile material? In India it is the conventional interpretation that, yes, the government has agreed to a cap on fissile material. The conclusion from that is that – I think this is what it is – I don't think this is the fact but this is what the interpretation has been, that China would be there, we will always be subordinate to China, and to protect ourselves we will therefore always be in need of an American umbrella, which may or may not be available at critical times.

Now, these are genuine apprehensions, but if over in the hearings in the Congress administration people clarify what they really meant by the particular text and that this amounts to or does not amount to a capping, well, then that issue will get resolved. So I would think that these are genuine concerns and it will take some time for the texts to become comprehensible.

Walter – Walter.

Q: If the fact sheet covers this, just let me know and I'll sit down, but one of the issues – (off mike) – you criticize the separation of the civilian reactors and military – (off mike). Now, is this issue sufficiently important to – (off mike). Is this an issue that is going to turn the debate – (off mike)?

MR. SHOURIE: In a sense, debates in parliament will take predictable courses. Points will be made, answers will be given, and that's – the issue is over. So it's not going to change policy in that sense. But this is a – and I don't know anything about nuclear technology to know the writing has been – in other countries, military plants came up and then civilian plants came up, so there was a clear distinction. One thing did

not – any restrictions or inspections on one set would not impinge on the other program. In India that's not how it came about. Everything was sort of flowing into each other and it would be difficult to unscramble it. I don't know whether that's true or not. Scientists have said this – I know that scientists were consulted before Mr. Vajpayee's statement was issued. Whether separating the two would be enough or whether the only two which were offered for inspection by the Vajpayee government would have been the right course. These are really things for scientists to –

But, yes, it becomes a big miasma in the minds of people who don't understand the technology, and that may become – that would be a good debating point. But it would –

Q: (Off mike.) There is one very long technical issue: As soon as this joint statement was released, one of the first questions asked at the first briefing was the issue of reciprocity. And it is record that the entire deal stands or falls on the basis of reciprocity. So this point of waiting – if President Bush is unable to get something done, whether we will still be bound? I think it should be clear to legal minds and non-legal minds.

MR. SHOURIE: Well, it is not clear to non-legal minds, and I know that lawyers would be able to confuse us even more, whether there is reciprocity or not in this matter. But I was told here that it should be – there is not going to be much difficulty in getting the Congress to agree on this. With certainty if it came out that there is nothing that is going to be done from Washington or Europe and all the things have to be done from India, then naturally there would be a strong enough protest to derail it. On that we don't require any legal expertise.

Q: K.P. Nayar from the Telegraph. To follow up, my first question about foreign policy. Despite all the spin, it would appear that since the departure of the NDA government there is open stagnation on foreign policy. If you look at Pakistan, we still haven't gone beyond the January 6, 2004 statement which was issued when Prime Minister Vajpayee was in Islamabad. In real terms that is where we still stand on Pakistan.

On China, the meeting between the late Mr. – (off mike) – made some progress but otherwise we still stand where – (off mike) – have been negotiating with China.

On the Look East policy, we haven't been able to offer anything more than what Vajpayee offered Southeast Asia in terms of a free trade agreement and all that. So on the Look East policy we still stand where we were one-and-a-half years ago when Vajpayee was there.

On Israel, I do not think it has anything to do with the fact that – (off mike) – has gone away. There is a crisis of neutral trust since the departure of the NDA government.

If we look at the United States, the NSSP was –

MR. SHOURIE: I wish you were to make this speech in parliament. (Laughter.)

Q: -- the NSSP was a joint initiative, but everything else that has happened, including what happened during the prime minister's much-celebrated visit is that India is a net receiver and the U.S. is the net giver. There is no joint initiative on the table like the NSSP.

So if you look at the whole foreign policy scene, would it be an insider's view that there is stagnation on the foreign policy front since the NDA government left? And if that is so, why is that happening?

MR. SHOURIE: I do not know how to speak of the truth and not cause offense in India in these matters, and that you would dismiss what I am saying, that just because he's in the opposition, this idea that I am opposing it for that reason. But the points that you have illustrated your argument with I would have different reactions to. If there is stagnation in regard to Pakistan, I will be quite happy that stagnation is better than going in the wrong direction.

I felt quite nervous at the fact that in the last eight months, before these terrorist strikes, and therefore President Musharraf, not exercising his – not paying much attention to this, that the initiative had completely gone into the hands of President Musharraf, and I – they're harsh words to us, but I can't bring myself to trust him. I could trust Nawaz Sharif. But a person who could so coolly plan for Kargil and then deny any involvement and then let the bodies of his soldiers lie there, I would have great difficulty in trusting him.

Now, this doesn't mean India is not going forward. And I am nobody; these are the people who are the government. So if there is not much progress there I am quite happy. I think there is enough focus which is – each step is demonstrating the enthusiasm among the people at large, whether it's a bus that has opened or any other small thing that is done, it shows the great enthusiasm. That will register. That is enough at the present time.

On China – (unintelligible) – take a long time. I was given two different interpretations – one, that the Chinese had reached out to some persons in the previous government, cut a deal with the new government and so on, but in this round I was told that substantial progress had been made but I can only report; I've not seen what happened actually in this regard.

I'll come to why I think there is a problem. On the Look East policy I would – it's not a question of new or first; you can't keep thinking of new or first with Singapore. Yes, there was a special – we were to have an economic treaty. We worked very hard for that. Then two, three inter-ministerial problems arose in India on the definition of financial services and it was debated for six to eight months. But it has now been done and therefore you don't have to think of a new initiative immediately. Similarly, the free

trade agreement with Thailand was worked upon but it has now been signed, in spite of the protests of automobile company manufacturers and so on. So the government has taken that particular step.

Where I feel for instance insufficient attention has been paid is in relations with ASEAN as a group. And it may cause offense here, but I have always felt that by the type of blacklisting of Myanmar – everybody has pushed Myanmar into becoming a Chinese dependency. So starting with Mr. Narasimha Rao but certainly under Mr. Vajpayee – and I had a little bit to do with that – great efforts were made to reach out to Myanmar and have projects – joint projects with Myanmar. Those have unfortunately – it's to my great regret that they have gotten stopped. They were in telecommunications, they were in information technology, they were in oil exploration, they were – we keep writing about five (?) ports with – China is there – Coco Island with China. They were prepared to give a northern port to India for complete development, which would give us alternate access to Misera (ph) to the northeast. But those things are lying there –

MS. : Why?

MR. SHOURIE: That's the only comment I don't want to make, but the fact of the matter is that we have not had a weaker foreign policy establishment than we have today. The international security advisor in – a very good person is the foreign minister, and even better and one of the best persons in Indian public life is the prime minister, but in regard to foreign policy, I think we have a much – this is not that Vajpayee view is not a considered view, it's just my personal reaction to the latest developments. That's, I think, one of our problems.

And also, the prime minister must be extremely busy with many things – one communist statement, one this statement – (unintelligible) – those cases – (unintelligible) – these cases. So maybe Look East policy comes lower down in the time he can devote to it.

MR. TELLIS: Sir?

Q: If we could come back to the questions we talked about at the outset about constitution reform, I find the idea of the two-round election intriguing when you follow that debate. There's a lot of interest. But I have my doubts that the fracturing that you were talking about of the Indian holiday – (off mike) – state assemblies is that it is so much a function of the institution and the system as it is a trend of political demand or identity, if you will – politics along identity lines, which many of us were uncomfortable with. Any great democracy, any democracy has these two competing vectors, if you will. The United States, we still go around and around about that constantly – centripetal versus centrifugal forces, disaggregating, integrating, disintegrating, centralization, et cetera.

I wonder, isn't it, though, the case that if you rearrange the system so as to encourage, let's say, nation-level parties and therefore try to promote this social cohesion,

what you're going to do nonetheless – if the demand remains there for politics along sectarian, communal, caste, regional, certainly linguistic lines, can it be argued that you're necessarily pushing politics under the radar screen and into those same back rooms that you mentioned as sort of problem in American history? You're asking to sort of create Tammany Halls in Tamil Nadu, in Misera and in UP itself? Isn't there something to be said in allowing that demand to be met by the whole regional, sectarian, and caste parties if that's what's demanded?

MR. SHOURIE: You're right. One of the great merits of the present system has been that it has given almost every section in India a sense of participation. You took a good example from Tamil Nadu that both the parties, which were secessionist in their ideology have become almost permanent fixtures of the central government, and that helps a great deal in sense of participation from the Northeast, from every group. So I'm completely with that.

I feel less that these are because of these phrases like “political demands” and “identity.” I remember when we had terrorism in Punjab; there were these great explanations of identity, unemployment. There is more unemployment in Bihar; it did not take the form of that kind of terrorism. It was just the delegitimization by the leaders' conduct of the political system and of – a simple explanation that Mrs. Gandhi – (unintelligible) – and others taught, okay, how to outdo the – (unintelligible) – pick up a person and then outdo them in those demands, that rhetoric, and that had these consequences.

In Kashmir I don't feel that great alienation. It was that Mrs. Gandhi and her great advisors at that time decided that there was a lawfully elected government which they would not let Farooq Abdullah continue in 1984. That meant that the National Conference withdrew and Jamaat-e-Islami had a free hand.

Now, into that period great explanations, sociological explanations – I think there is too much emphasis on these issues often, and we read theories into them. But you are absolutely right, especially in a country like India it is necessary that a new system or a new arrangement should not take away the singular advantage of the present system of giving a sense of participation. But giving people a sense of participation at the cost of such incompetence and of complete breakdown of cohesion in the governing structures also will have very great costs, even costs in meeting those expectations that have arisen.

So nothing works for long. Nothing works forever. It is just probably we need to shift things from time to time a little bit. That's all. I'm not saying repudiate and go for something else – some adjustments. For instance, if we had a rule that you could have 15 percent of the cabinet from outside the legislature, it would not involve any great giving up of the present electoral arrangements. So some things of this kind.

Yes?

Q: (Off mike.) We are going through a lot of breast beating and guilt feelings about what a poor job we are doing in public diplomacy, especially on the governmental side, and – (off mike) – but that given what we’re facing now with this terror situation, that – I don’t want to call it wasted money because it’s not wasted money, but that it really is not an answer, and I wondered if you would comment on that.

(Off-mike exchange.)

MR. SHOURIE: Well, as everyone from the media will tell you, you can’t make good news out of a bad story for a long time. I mean, there will be a difficulty in just – it’s not just a matter of media projection or pursuing individuals, about let’s say the invasion in Iraq. There are solid grounds for holding one view or the other. If weapons of mass destruction have not been found, then public diplomacy can do much less in that situation.

And so I would look at the reality of developments.

(End of available audio.)