

The outlook for 2024, for the world and India

What is apparent as 2024 dawns is that global risks and uncertainties are only likely to increase, reminding us that we are living in a time of great peril. The new year can be expected to be even less safe and uncertain than the previous two years. An unfortunate aspect is that the existing order is being challenged as much by architects of the 'rules based international order', as it is by persons who declare it outdated.

Again, existing geostrategic contradictions are likely to intensify. The war in Ukraine, though stalemated at present, could well become highly combustible as 2024 progresses. A Biden victory in the United States presidential election may well depend on the way the war in Ukraine turns, as a decisive defeat for Putin's Russia, (even though this appears unlikely at present), would boost his chances. Ukraine's Zelensky, conscious of the sagging support for Ukraine in Europe and elsewhere, could well attempt 'a last throw of the dice', and resort to desperate measures. Mr. Putin, for his part, may be tempted to go to extremes (not excluding resort to sub-optimal nuclear weapons) to secure a victory in Ukraine.

A heating up of the Middle East cauldron, caused by Hamas's unprovoked assault on Israel on October 7 this year, again has the potential to light a 'prairie fire' in 2024. This could single many more countries in West Asia. The situation is not helped by the West's 'hypocrisy', which seeks to draw a fine distinction between the violence practised by Hamas, and the 'precise targeting' of so-called Hamas troublemakers by Israel and the western alliance. The situation is already accelerating changes in the geopolitics of West Asia, where battle lines are gradually shifting: Iran-Russia-China are already extending support to nations across West Asia, thus challenging the West's (essentially U.S.) leadership of the global strategic commons. It could have an impact well beyond West Asia as well. In this backdrop, the West would be well advised to act with care in other regions (such as the Indo-Pacific) to avoid upsetting the existing strategic balance.

For India, 2024 holds out many possibilities. The general election is scheduled for mid-2024, and the ruling dispensation is displaying reasonable confidence about the outcome, greatly buoyed by its recent election victories in Madhya Pradesh, Rajasthan and Chhattisgarh. This does not, however, preclude the existence of some 'black swans', which may need to be attended to, specially as far as the economy is concerned.

Keeping track of China, the region
Sino-Indian relations will remain stalemated during much of 2024, with neither side displaying



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any accommodation of each other's view point. China remains convinced that India is already a part of the U.S.-dominated anti-China alliance (however misplaced this perception might be), which is acting as a major impediment to any improvement in relations. A direct confrontation between India and China, however, appears unlikely during 2024. Even if China's economy continues to decline, and the West harps on this fact as an index of diminution of China's influence across the region and beyond, there is a slender possibility of China embarking upon some 'adventurist actions' in the Sino-Indian border regions. Mao's unprovoked aggression against India in 1962 in the wake of the failure of his Great Leap Forward Movement in 1958 is, however, something that the Indian establishment needs to keep in mind at all times.

India's external relations in some other areas also merit attention in 2024. For instance, if the Russia-China axis becomes even stronger as 2024 progresses, with a concomitant weakening of Russia-India ties, it will have a direct impact on India's relations with, and accessibility to, Central Asia. India will need to avoid such a situation.

In its immediate neighbourhood again, India may face an uncertain situation in 2024. Relations with Afghanistan, which have been virtually non-existent for some time, will remain much the same. Bangladesh, Nepal and the Maldives have recently come under pressure from China, and this has the potential of reducing their dependence on India.

In West Asia, with the possible exception of the United Arab Emirates, India's influence appears to be diminishing. As more West Asian countries break free from the clutches of the West, and tend to gravitate towards China and Russia, India's position in the region will become even more tenuous.

Internal dynamics

The internal situation will require very careful watching. The atmosphere is certain to be highly surcharged, with both the ruling and Opposition forces preparing for a 'no holds barred' electoral battle. A 'veneer' of calm masks the intensity of feelings that exist. What is also evident is the extent to which factors such as caste loyalties are dominating the landscape today. What is not evident on the surface is the extent to which social engineering and social fragmentation are being utilised to divide social groups; how electoral autocracy is tending to overwhelm all other factors; and how little or no debate is taking place on key issues of common concern. Artificial Intelligence can be expected to play a larger and a key role this time, to enhance power dynamics of certain groups.

Both in terms of perception and debate, there appears to be an increasing bias towards unitary

rather than federal aspects of India's diversified Constitution.

A pronounced tilt in the case of certain parties to favour a regimented approach to issues and situations, and a bias towards increased centralisation of authority, leaving little or lesser room for manoeuvre at the State level, is also increasingly evident.

Notwithstanding the outcome of the general election, all signs, hence, point to a turbulent period ahead. Parliament, already in disarray, will continue to function in this manner during the whole of 2024. The stand-off in the wake of the recent breach of security in Parliament is a good index of the prevailing mood, and there are few signs that this will change.

An absence of any give or take, evident in the case of the expulsion of the Trinamool Congress Member of Parliament, Mahua Moitra, is a reflection of the current mood in Parliament, where most decisions are based on brute majority. Governors in many States also increasingly demonstrate palpable recalcitrance, aggravating the hiatus between the States and the Centre. All this leaves little slack for improvement in the situation.

The nation may, hence, be approaching an inflection point in 2024. A test case will be how the nation deals with the situation deriving from the recent Supreme Court of India judgment upholding the power of the President of India to abrogate Article 370 of the Constitution, together with the reasoning that Article 370 was 'a transitional provision 'due to war like conditions that prevailed in parts of the country'. It could well open a Pandora's box of contentious issues, providing additional ammunition for conflict.

Centre-State ties

All this demands that incumbent political parties at the Centre and in the States have a rethink on what needs to be done in the extant circumstances. Most Opposition parties and several Opposition-led State governments are conditioned to think that opposing the Centre is the *sine qua non* of their existence, and that they have no obligations, or need, in the present context, to play a more constructive role. State governments have several core advantages in both political and economic matters which could come into play at this juncture. But this is not likely to happen. The Centre, for its part, needs to better comprehend the importance of improved Central-State relations, recognising that the Centre is stronger when the States are too; if both are together, they can deliver a better value proposition that neither can provide on its own. Inherently, all this involves a better understanding of newer forces at play and of the new realities of power. Whether this will happen in 2024, however, seems highly doubtful.

Existing geostrategic contradictions are likely to intensify, while India may face an inflection point

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A new economics for inclusive growth

In their book, *Breaking the Mould: Reimagining India's Economic Future*, Raghuram Rajan and Rohit Lamba recommend that India give up its policies to build its manufacturing sector and jump straight to export more high-end services. This is surprising because this is what India has been trying to do in the last 30 years, with very poor outcomes. Insufficient jobs and incomes are the Achilles heel of India's economy.

The signs are visible outside economists' datasets, in the social and political arenas. Farmers are demanding better prices and informal sector workers and contract workers, fair wages and social security. The economy cannot be in good shape when 60% of Indians, cutting across castes and religions, are classified as "economically weaker sections" entitled to job reservations.

A growth-affecting mismatch

The obstacle tripping India's growth is the mismatch between skills, jobs, and incomes. Twenty years ago when, supposedly, "India was Shining", economists thought India had leapfrogged manufacturing in the development ladder, in which, traditionally, masses first transition from agriculture to manufacturing and then to services. China lifted its masses from poverty by moving them up the ladder into a large manufacturing sector, becoming the factory of the world. Now, China is producing world-beating technology champions.

India invested in world-class institutions of science and engineering 70 years ago. The Indian Institutes of Technology enabled India's software industry to become a globally competitive force. They also produced CEOs for U.S. multinational companies. India's space programme is delivering results at a fraction of the National Aeronautics and Space Administration's costs. However, India's pattern of growth, with investments in high-end skills, has not generated enough decent jobs for India's masses.

Delivering the 2010 Lionel Robbins Memorial



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Lectures, British economist Adair Turner pointed out that too much reality was being left out of economists' models for them to explain the world. With a twist of Keynes' statement that "practical men ...are usually the slaves of some defunct economist", he warned that the "great danger lies (now) with reasonably intellectual men and women employed in the policy-making departments of central banks and governments who tend to gravitate to simplified versions of the dominant beliefs of economists who are still very much alive."

The realities are being missed

Economic theories developed by analysing numbers miss realities. Most economists do not understand the process of "learning" (which is the essence of "development") whereby citizens learn new skills and increase their incomes, and nations acquire capabilities they did not have before. An agricultural worker is willing to apply his intelligence and labour to a new job; but cannot take much time off from working and earning to learn new skills. Therefore, his next job, though different in content, must be close enough to his capabilities for him to take the leap from one to the other and then continue to increase his skills on the job. If the next job is near his present habitation, he will save living costs too. Therefore, "adjacencies" in work and location in rural areas are the best steps for climbing the skill-economic ladder. They also create dense webs of economic activity.

Manufacturing is performed not only in large, capital-intensive smart-phone factories, and value-adding services not only in large software factories. Manufacturing and value-added services can be carried out in rural areas and around farms, in small, labour-intensive, and low-capital, enterprises, for processing agricultural produce and transporting and selling it in nearby markets. Such enterprises add value to agricultural commodities locally, without requiring their transportation to more distant, large-scale processing centres.

The obstacle tripping India's growth is the mismatch between skills, jobs and incomes

Targets of trillions of dollars of GDP will not be achieved if economic growth does not become inclusive and sustainable very soon. The pattern of economic growth must be changed. More Indians must be employed so that they can earn and learn and, by earning more, increase the market for more producers. India cannot afford to neglect its small-scale and informal manufacturing sector any longer. While India has abundant resources of willing human beings, large, capital-intensive, factories require more land and financial capital to operate on scale – resources which are relatively scarce in India.

Make more for India, in India

Investing in education and skills for "high end" manufacturing and services will not benefit the masses if they cannot be employed. Richness of economic activity within local webs will create more sustainable growth than policies to participate in long, international supply chains when barriers are rising. The Indian state has limited financial capacity. It cannot afford to mispend it, by reducing taxes and duties and giving incentives to investors, with the expectation that benefits will gush down to the masses. More imports will not increase the well-being of Indian citizens if they do not have more incomes to buy. Foreign direct investment will not boost growth if it does not increase employment soon.

The mould in which economics was cast in the later part of the 20th century must be broken. Policymakers must reimagine the path for India's growth. They must get down to the basics of inclusive economic growth. There are no shortcuts.

The global economy is not growing like it was when China became the factory for the world. Producers everywhere are looking for new markets. India, with its unmet needs is very attractive for them. India's policies must take advantage of this opportunity and make more for India in India, thus growing both jobs and incomes for India's masses.

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