

Narasimha Rao Recast Not Just India's Economy, But Foreign Policy Too

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Earlier this month, the Modi Government announced the Bharat Ratna, India's highest civilian honour, for P.V. Narasimha Rao, India's 12th prime minister, who ran a minority government between 1991-1996. Most recent commentaries and analyses following this announcement have focused on the former prime minister's contributions to de-regulating the Indian economy. And rightly so.

But Rao deserves equal credit, to my mind, for his singular contributions to Indian foreign policy – the reorientation from its Nehruvian idealism to a more pragmatic one and his attempt to embed economic diplomacy firmly into the practice of Indian diplomacy. The policy change was necessitated by the international developments of the day, like the implosion of the Soviet Union. The foreign policy recast set

India decisively on a trajectory of “multi-alignment”, a term currently part of the popular lexicon. The start of “multi-alignment” – as we know it today – begins with, I believe, Rao forging closer ties with multiple countries, including the US, Israel, South Korea and others. In fact, one can discern policy continuation and parallels between the Rao era and the current Modi era.

A Policy For The Demand Of The Times

The economic changes within India that Rao initiated were in part necessitated by internal economic mismanagement, but equally, the demand of the times. The Berlin Wall, the dividing line between East and West Germany, came down in 1989; the Soviet Union collapsed in 1991. These events spelt the end of the Cold War, leaving the US the sole superpower in a unipolar world. India, already battling economic challenges, saw a sharp trade slump. “In 1990, the Soviet Union and East European countries that had a rupee payment arrangement for trade with India accounted for 17% of India's total external trade. This share collapsed to 2% in 1992,” writes economist Sanjaya Baru, former media advisor to ex-Prime Minister Manmohan Singh, in his book *1991: How PV Narasimha Rao Made History* (for the uninitiated, Singh was Rao's handpicked finance minister who implemented many of the reforms of this period).

Vinay Sitapati, author of *Half Lion: How PV Narasimha Rao Transformed India*, writes that the breakup of the Soviet Union made it clear that India had to rework its ties with the US and the West for the capital and technology it badly needed.

'State-Directed Capitalism'

In the practice of economic diplomacy, Rao led from the front. It's well recorded that Rao's first foreign visit soon after taking office was to Germany, the economic engine of Europe. Rao also led delegations to the World Economic Forum in Davos, Switzerland, twice, to directly address investors and industry leaders. In 1993, he became the first Indian prime minister to visit South Korea (borne out by the Ministry of External Affairs' timeline of bilateral visits between the two).

The aim of the visit was to convince South Korean businesses to invest in India. If today Samsung, LG, Kia and Hyundai are household names in India, this is in large part due to Rao's efforts. It's a well-documented fact that Rao made it a point to meet the heads of Korean *chaebols* – large family-owned business conglomerates – to explain how India was changing its economic focus. One of the first visible results was the arrival of Daewoo Motors in India in 1995 with its range of passenger cars.

The imperatives of trade and economics dictated that India “Look East” to the Association of Southeast Asian Nations (ASEAN) for inspiration and investment. Sitapati writes that Rao was interested in the concept of “state-directed capitalism” the Southeast Asian countries practised, which had allowed them to prosper economically. Rao also reworked India's policy towards Myanmar (which joined ASEAN in 1997). While India had supported freedom icon Aung San Suu Kyi in the late 1980s and early 1990s, Rao understood that Myanmar could play an important role in keeping a lid on insurgency in India's northeast. Thus began India's engagement with the military junta. It was a policy borne out of pragmatism.

Parallels With India's Current Foreign Strategy

Former foreign secretary J.N. Dixit's book *My South Block Years: Memoirs of a Foreign Secretary*, talks in detail about Rao issuing clear instructions to Indian diplomats that they needed to sell India's economic reforms to governments of the countries they were posted to. Ambassadors had to promote India as an investment destination. In giving this direction to diplomats, Rao clearly underlined that India's foreign policy and domestic economic policies were enmeshed. These ideas parallel those espoused and practised by the Modi government today.

Indian business leaders were part of Rao's delegations abroad. Rao also made it a point to meet Indologists in countries he visited, briefing them about the developments in India. As the world began taking an interest in India, the leadership of these countries would first seek the opinions of the Indologists; therefore, they needed to be updated with the latest on India, says Sitapati.

A Deft Balancing Act

Economic imperatives were high on the agenda when Rao visited the US in 1994. According to Dixit, "It was acknowledged that India, having lost the leverage of its relationship with the Soviet Union, should develop positive equations with new power centres in the world, out of which the United States was the most important one." Rao was clear that India's fundamental interests — on nuclear non-proliferation, for example — would not be compromised as it looked to forge new economic, technology and defence partnerships with the US "to the extent feasible".

Given that India was almost completely dependent on the Soviet Union for military hardware, a defence partnership with the US was definitely a novel concept. It was only after the year 2000 that US-India defence trade picked up; today India has many US-made platforms in its defence inventory and there are plans for joint production, besides the transfer of fighter jet engine technology – something inconceivable during the Rao years. Dixit writes that Rao wanted the Indian-American population leveraged to create a favourable opinion of India in the US among businesses and lawmakers. This is something the Vajpayee government successfully did in the aftermath of the India's nuclear tests in 1998 and something commonplace in diplomatic practice today.

Reshaping Ties With Israel

Preceding Rao's US sojourn, India normalised ties with Israel. While India was looking to forge ties with the US, New Delhi's new outlook towards it needed to be advertised, Sitapati says in his book. This is where reshaping ties with Israel (which has close relations with the US) came in.

For decades, India had solidly stood by the Palestinians, shunning formal ties with Israel. In 1991, in a first, India voted in favour of a UN resolution reversing the equation of Zionism with racism—something the US noticed, says Sitapati. In a parallel move, Rao also worked to convince Palestinian leader Yasser Arafat that Indian ties with Israel would make it easier to push the Palestinian cause. Arafat did not object to the exchange of ambassadors. Another imperative for normalising ties with Israel was defence. The disintegration of the Soviet Union meant India's reliable supplier of military equipment did not exist. And New Delhi had to look for newer options.

Rao's moves were to help India on this count too. In Parliament, Rao justified the formalisation of ties with Israel as a continuation of existing policy, pointing out that India already had an Israeli consulate in Mumbai, dating back to Jawaharlal Nehru's time. This blunted criticism from within his own Congress Party. Today, India and Israel enjoy a very close strategic partnership and India imports large quantities of military hardware from Israel.

Engaging With West Asia To Counter Pakistan

Mindful of the complexities of West Asian politics, Rao visited Iran in 1993, a year after India established formal diplomatic ties with Israel. India's Iran outreach was important to counter Pakistan at a time when the Kashmir dispute was smouldering. In 1995, India played host to then-Iranian leader Ali Akbar Hashemi Rafsanjani – a signal that India under Rao had successfully managed to balance ties between Israel and Iran and also the wider West Asia.

Building ties with the US did not mean disregarding Russia. Rao ensured open lines of communication with the new Russian president Boris Yeltsin given India's dependence on Moscow for a range of defence equipment and trade. But it was clear that India's ties with the new Russian Federation would be qualitatively different from the past. Russian dependence on the West for capital and investment meant that traditional Russian support for issues like non-proliferation and Kashmir would be impacted by the West. This was something new for India that Rao and his team had to manage.

The Nuclear Tests

While recounting all the novel firsts of the Rao years in office, it would be remiss not to mention the preparations for a nuclear test made under his watch. According to various reports, Rao had given scientists the go-ahead for the test but deferred it after US spy satellites detected activity at the test site. Other reports suggest that Rao would have done the tests had he won the 1996 elections. As it stands, the Congress party lost the 1996 polls, and when the Bharatiya Janata Party (BJP) came to power in 1998, the Vajpayee government conducted the tests. India needed to test its nuclear weapons' capabilities as it was coming under international pressure to adhere to the Non-Proliferation Treaty and sign the Comprehensive Test Ban Treaty, which would squeeze India's nuclear options. In India's immediate neighbourhood at that time, Pakistan was believed to have nuclear weapons; China definitely did, too. Bordered on two sides by nuclear-armed countries, it would have been naïve and foolhardy on India's part not to have readied itself for a test.

The Rao years saw Pakistan-sponsored terrorism in Jammu and Kashmir peak. It was also a time peppered with multiple Pakistani attempts to focus the international spotlight on India's alleged human rights violations in Kashmir. Rao devised a novel approach to meet this challenge. In March 1994, India was in the dock at the UN Human Rights Commission in Geneva; Rao put together a team of then-opposition BJP leader Atal Behari Vajpayee, Jammu and Kashmir leader Farooq Abdullah and minister of state for external affairs, Salman Khurshid, to represent India. The strategy worked and the Pakistani resolution was not carried through. One has to credit Rao for his political sagacity in putting together such a team at such a critical time.

How Rao Dealt With China

In the context of China, Rao oversaw the signing of a key agreement with Beijing — the agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control on the Sino-Indian Border in 1993. It built upon the momentum generated by the 1988 visit to China by then-Prime Minister Rajiv Gandhi. With the ties with China currently in the freezer, one might choose to devalue the 1993 pact. But consider this: the Indian economy was weak, the country had few friends compared to today, and it was beset with terrorism challenges posed by Pakistan. In this context, it was vitally important that India have peace along its northern borders.

If “rebalancing” and “re-ordering” of the global order are buzzwords today, they were as much the reality of the 1990s. Rao and his team – Manmohan Singh in the realm of economy and J.N. Dixit in the realm of foreign policy – ably steered India through the tough times. If India is able to manoeuvre through rough times today, some credit needs to go to Rao, who set India on this course economically and in terms of foreign policy, with a pair of steady hands.

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