

## Interview – Amitendu Palit

Written by E-International Relations

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E-INTERNATIONAL RELATIONS, OCT 5 2017

Dr Amitendu Palit is Senior Research Fellow and Research Lead (Trade and Economic Policy) at the Institute of South Asian Studies (ISAS) in the National University of Singapore (NUS). He is an economist specialising in international trade policies, regional economic developments, comparative economic studies and political economy of public policies. He worked with the Government of India for several years with his longest span being in the Department of Economic Affairs in the Ministry of Finance. His books include *The Trans Pacific Partnership, China and India: Economic and Political Implications* (2014), *China India Economics: Challenges, Competition and Collaboration* (2011) and *Special Economic Zones in India: Myths and Realities* (co-authored, 2008). He appears regularly as an expert on media channels such as the BBC and Bloomberg.

### **Where do you see the most exciting research/debates happening in your field?**

I am essentially an applied economist and over time I have developed a strong interest in public policy and political economy. I see two major developments that would dominate the discussion in my areas of interest. One is globalization. We talk about inclusive globalization but inclusive globalization has different interpretations in terms of (how it affects) different communities, countries, agencies and stakeholders. The basic question is: To what extent can globalization be made beneficial for everybody involved? This is a question that nobody has a straightforward answer to. This is a question that is going to preoccupy people like me in the future.

The other issue that is really exciting is the emergence of connectivity and its role in globalization. When we look back, financial globalization happened because of great sophistication of financial markets due to technology and integration. Now, we are experiencing continental connectivity not just due to land and sea. It has moved to cyber connectivity as well. There are countries that are becoming big players in continental connectivity. Seeing how and whether continental connectivity is going to make an impact on globalization and its strategic dimension is something that is really fascinating. There are countries like China, India and Japan that are increasingly beginning to see connectivity as an instrument for extending their geostrategic influence in the world. Basically, economics bolsters the geostrategic aspects (for a country). We have always known that a country's geostrategic influence is a function of its economic success. It is that same principle which is being revisited through connectivity.

### **How has the way you understand the world changed over time, and what (who) prompted the most significant shifts in your thinking?**

When we started looking at the world through the policy-making prism 25-30 years ago, there were several questions that were being asked then and are still being asked now. However, the context has changed over time. In the late 1980s and early 1990s, when we were graduate students and I was inducted to the civil service, there were a lot of conversations about employment in a country like India. There are still a lot of questions about employment. At that time, there was a question about how to get jobs for people. Today, the conversation is about where the jobs are, the quality of jobs and whether people will get jobs at all. Then, there were more issues about jobs becoming available and not about skills. Skills became important much later. Nobody anticipated that technology and artificial intelligence would play the role that they are playing. This is where most of the changes are taking place.

Globalization has created a situation where the ability of national economies to influence policies has become limited.

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This is a serious constraint on the part of policy makers. Globalization makes the world more interconnected. It does not matter if a country stays closed to imports. It cannot stay closed to the internet. Global influences and the exchange of ideas have also become important. Even a country like China, with so many firewalls, has to place a great deal of attention to what is happening (around the world) and fashion its policies accordingly. This has become a huge factor over the past 25-30 years. The question is: Will this process of globalization intensify further or could we see a reversal of this trend?

### **How would you assess Prime Minister Modi's economic management?**

Let me begin by trying to look at the big picture in terms of Prime Minister Modi's three and a half years of governance. Let us not forget the fact that he came to power on a sweeping mandate. The kind of mandate that no Prime Minister or political party has received in parliamentary elections in the past 30 years. On the back of that mandate, expectations were very high. He also came into power at a time when the degree of disappointment in the Indian electorate with the establishment was very high. There were issues with governance, corruption, law and order, economic empowerment, economic opportunities for citizens, and overseas relationships with neighbours. Everything was going through a period of implementation. During his campaign, Modi took positions and highlighted postures which gave the impression that he is someone who wants to set things in order. He promised *Ache Din* (*Achhe din aane waale hain*, which means 'good days are coming'. This was the Bharatiya Janata Party's Hindi slogan during the 2014 Indian general election) and there was hope that there would be a large number of changes.

Let us look at these efforts objectively. Expectations can be very high. No political authority or establishment can probably match up to these expectations, depending on what they were. Expectations from Modi were particularly high. If we look at the totality, India's engagement with the rest of the world, under Prime Minister Modi, has been much more varied, persuasive, and decisive and India has reached out to countries and regions with whom earlier relationships were very minimal. These relationships have become more articulated and nuanced.

On the other hand, there are domestic areas, particularly regarding the economy and society, where Prime Minister Modi's performance has been disappointing. There were hopes of more jobs and higher incomes and the economy chugging along. What we see in terms of statistics is that India is growing at 7%. However, when one looks at India's economy, one doesn't get the impression that it is a 7% plus (growth) economy. A 7% plus (growth) economy has a more robust character. More and more people are coming into the workforce but people are unhappy with their prospects. Also, the agrarian and informal sectors of the economy are in distress and have experienced major setbacks adding to the mounting anguish over lack of jobs.

Even with respect to corruption, the expectation was the corrupt would be identified and black money brought back from it. What we have seen are measures that have been qualitatively and characteristically very radical, but it is not easy to figure out what their tangible benefits are.

At the time of demonetisation<sup>[1]</sup> was announced, its primary focus was on the issue of black money. Subsequently the government narrative has shifted to the digitalisation of the economy. This appears a little strange. What happened to the black money and where did it go? Where was the need to inject such a shock into the economy if digitalisation was the main aim? It is becoming increasingly clear now that demonetisation has hastened the process of deceleration of economic growth, which had set in from the past 8-9 quarters. It exacerbated the slowdown by taking away the ability for people to spend and has also affected the informal, agrarian and trading communities.

### **In 1992 India initiated a 'Look East' policy to build strong economic and strategic relations with Southeast Asian states. How has this policy developed?**

Prime Minister Modi upgraded the "Look East" policy to an "Act East" policy. The scope of content of India's engagement with its East has become broader. When "Look East" came in 1992, the centrepiece of the initiative was Southeast Asia. Today, "Look East" covers the whole of Asia-Pacific. It brings into its fold Asia-Pacific countries like Australia, Japan and South Korea in a prominent sense into India's foreign policy (considerations). This engagement was not there earlier as these countries were being primarily dealt with bilaterally, much less regionally. India now

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has a policy vision for the regional architecture of the entire Asia-Pacific. This includes China in a major way as well.

When it comes to “Look East”, India is beginning to pick up the pieces in a pragmatic manner. I sense that economic engagement and commercial benefits have become primary drivers of Prime Minister Modi’s foreign policy. India is increasingly beginning to play larger attention to security issues and their role in regional dynamics. There have been references to India being conscious of providing and maintaining the security of commons by Prime Minister Modi during the Shangri-La Dialogue speech in Singapore two years ago. India is taking notice of how the South China Sea and the Indian Ocean region are getting closer to each other in terms of a variety of connectivity initiatives. India is beginning to play a much bigger role in terms of regional connectivity with countries like Japan, as a possible counter strategy to China’s initiatives in the region. Regardless, under Prime Minister Modi, this is a much bigger and prominent India when it comes to its “Look East” policies.

**In June and August this year the Doklam standoff took place between the Indian Army and the People’s Liberation Army of China over the construction of a road in the territorially contested area between China and Bhutan. The event has been hailed as an example of deft diplomacy combined with steely military resolve. Would you agree?**

Personally I feel that there was no need for the Doklam standoff to happen. It unnecessarily created a great degree of tension in the neighbourhood with the rest of the world watching out for Doklam and the Himalayas to see whether there would be a fully-fledged Sino-India conflict.

I am not privy to how the eventual conflict was resolved and there will be multiple interpretations on this. India has taken the position that aligns with what the External Affairs Minister highlighted in Parliament: it is important for both countries to ensure that differences don’t become disputes. It is a mature foreign policy principle. One cannot expect two countries like India and China to agree on most things. They are bound to disagree and must agree to disagree. They cannot change geography and cannot change the fact that they are neighbours while being very ambitious in their regional and global roles. China is ahead of India in this regard but India is also increasingly beginning to fashion a rising trajectory of its own. There will be several areas in which, even if they don’t lock horns, they will see things through different prisms. This should not at any point in time create situations where they can’t engage or interact, as that would create regional and global disorder. It was responsible on the part of both India and China to accept this reality and move to the eventual resolution of Doklam.

**India has thus far been non-committal and slightly antithetical to the ‘One Belt One Road’ (OBOR) initiative proposed by China. You have advocated that India should not give up its territorial claims but that it should take a more flexible approach. How can this be achieved in practical terms?**

Here, one must distinguish between China-led initiatives and purely Chinese-interest driven initiatives. As far as China-led initiatives are concerned – Asian Infrastructure Investment Bank, formation of BRICS or other regional associations – India has been a partner in all of these, which reflects that India has not shied away from contributing to Chinese efforts if they are constructive and contribute to regional and global good. The problem with OBOR is that there is a territorial concern for India, which is non-negotiable. This is something which should be clearly understood by China, because China itself would not compromise on territorial matters. That is a red line which cannot be crossed. The situation can also be looked at it in another way: If the OBOR did not create territorial concerns for India, India might have been far more enthusiastic about it.

Having said that, there are probably other elements of the OBOR connectivity architecture where India can take a more objective position. For instance, if the land and maritime corridors of OBOR are delinked and looked at separately, India might not have any objections to the maritime Silk Road because there are no territorial issues there. India is also an active promoter of regional connectivity. This has been articulated all over and in this regard, India’s foreign policy and diplomacy have really come of age. Even in organisations like the Shanghai Cooperation Organisation, India did not oppose OBOR or mention a word against it. Whatever it did, was in response to not attending the OBOR summit in China in May 2017. In that sense, India has made its position very clear.

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### **Turning to another important bilateral relationship, could you provide a summary of the opportunities and roadblocks that characterise the US-India relationship?**

The India-US relationship represents a bilateral relationship in a new world. The US has been the unquestioned superpower but in a large number of areas, its authority and influence are being questioned. When it comes to India, India is being visualised as a global actor with much greater prominence than before. While India and the US have similarities in many respects – democracy, rule of law, institutional commonalities – there are fundamental differences between them as well. These are primarily on the economic side. In fact, I do not think that the India-US economic relationship has changed much from what it was 7, 8 or 9 years in terms of the fundamental differences that exist on the management of intellectual property, nature of investments that come to India and vice-versa and migration of Indian professionals to US. These are all areas where differences remain and might have even widened.

On geostrategic issues, however, there is narrowing of difference and greater proximity. It is pretty much clear that the US and India have a great degree of comfort on geostrategic matters. This has happened post 9/11. India has been a long sufferer of terrorism, but post 9/11, the US saw its ugly face. In terms of terrorism, India is situated in an extremely volatile geographical location. The US has large stakes in South Asia. The strategic convergence on the geopolitical side has had an economic manifestation. The US is investing a lot more in defence manufacturing facilities in India and India is keen to develop as a defence production hub. This has satisfied both strategic and economic goals on both sides. Otherwise, however, it is difficult to elevate the relationship to greater proximity in economic terms.

### **How do you assess the growing influence of the ‘Hindutva’ movement after the election of the BJP in 2014? Has India’s secular ethos eroded significantly in the past three years?**

There is a disturbing rise in vigilantism in India. One might well argue that this vigilantism was always there. Right-wing Hindu agencies like the Vishwa Hindu Parishad, Rashtriya Swayamsevak Sangh (RSS) and Shiv Sena have existed for years. But what is being seen now is vigilantism without any specific political character and prominently hooliganism, such as in the form of Gau Rakshaks[2].

There is social intolerance and it might have always been there. But today’s intolerance, to an extent, is not being acted upon as firmly as it should be. It is not fair to blame Prime Minister Modi for this. He is governing a country of 1.3 billion people where social harmony is extremely important. He has publicly condemned these developments on a couple of occasions. But the groups and people who have been engaging in these activities have probably been emboldened by the impression that in today’s India, Narendra Modi’s India, they can get away by being active. There is an assumption that the administration and institutions would be much more tolerant and lenient to them, as compared with the past.

This could be because of the fact that right-wing Hindutva elements have been core constituents of the support base of Modi and the BJP. They have been part of the stupendous electoral and political campaign which has seen the BJP succeeding in election after election in the last three years. The electoral success would naturally make them believe that their views matter and are considered legitimate by the Indian society in their own right. Therefore, one does not see the activism going away. This is clearly a worrying signal, and if this continues, it is certainly not good. But how does one control it? It is important to be controlled at the local, grassroots level as an administrative issue. At the national level, the degree of control that could be exercised is very minimal as there is no administration that can keep a 24/7 watch on vigilantism.

### **What is the most important advice that you would give to scholars studying the South Asian region?**

The first thing is to be sympathetic and sensitive to South Asia. There is a problem with scholars who look at South Asia with predetermined assumptions that they are going to encounter only negativity in the region. South Asia has no shortage of drawbacks. A lot has been spoken about them. From the perspective of South Asian policy makers and scholars, the kind of challenges which they face are probably the kind that few their counterparts around the world face.

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I can give you a small example. Tackling the environment is a huge concern in South Asia. We talk a lot about South Asian democracy, institutions and proactive judiciaries. However, there is not a single political party in South Asia that has ever mentioned environment in their political campaign. Nobody has. Not in India. Not in Bangladesh. Not in Nepal. Not in Sri Lanka. All these countries are at the receiving end of the damage done to environment. So, why haven't environmental issues received the importance from politicians that they should have? You feel tremendously helpless as a policymaker because unless these become issues that people feel matter to them, policies will remain ineffective. People must be active to the policies and concerns and politics is hugely important in this respect

When people look at South Asia from the outside, there is always impatience and disenchantment. Why aren't policies being implemented? Why isn't India doing this? Why isn't Bangladesh doing that? Because they cannot do so easily by overlooking realities on the ground. In India and South Asia, a great degree of political and social empowerment in certain respects, coexists with scant civil and political consciousness on many others. This is a region of contrasts. If new scholars to South Asia begin by looking at the region through cynical 'external' perceptions influenced by mainstream studies on the region from elsewhere, mostly the developed world, they wouldn't be doing justice to the region.

[1] In November 2016, the Indian government announced the demonetization of all 500 rupee (US\$7.80) and 1,000 rupee banknotes. The government claimed that demonetisation would reduce the growth of "black money", curb the usage of counterfeit cash and crack down on the usage of counterfeit cash for funding terrorist activities.

[2] Gau Rakshaks are self-styled cow protectors. Cows are thought to be sacred or deeply respected by Hindus. The Bharatiya Gau Raksha Dal (Indian Cow Protection Organisation) is an organisation that is dedicated to the protection of cattle in India.

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*This interview was conducted by Bhargav Sriganesh. Bhargav Sriganesh is an Associate Features Editor at E-International Relations.*