

# Working with India

The Softer Aspects of a Successful Collaboration with the Indian IT & BPO Industry

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## 2 India – the Country

### 2.1 Geography

Looking at the world map, the Indian subcontinent can be best described as a “... triangular shaped appendage hanging off the bottom of Asia, just below the Himalayas.”<sup>72</sup> It is the seventh largest country in the world, its land mass about one third of the USA, half the size of Australia, and roughly comparable with Western Europe. It spans 3,200 kilometers from North to South, and 3,000 kilometers from West to East covering around 3.2 million square kilometers.

India has six borders with Bangladesh, Bhutan, China, Myanmar, Nepal, and Pakistan. Stretches of the borders are still disputed, especially along the line of control in Kashmir with Pakistan and parts of the border with China. There are two sets of islands belonging to India, the Lakshadweep islands in the Arabian Sea, and the group of Andaman and Nicobar Islands in the Indian Ocean.

India is made up of 28 federal states and seven union territories (see Figure 2-1); regional nationalism and separatism are the reason for the not so rare carving out of new ones.

India boasts of enormous rivers like the Ganges and Brahmaputra in the East, the Indus in the West, and the Cauvery in the South. In the North-West towards the border to Pakistan, there are deserts, in the North-East one will find tea gardens at the bottom of the Himalayan range. India’s highest mountain is the Kanchenjunga, its 8,586 meters (28,169 feet) making it the world’s third highest after Mount Everest and K2. Going down south, there are mountain ranges (the Western and Eastern Ghats) with peaks between 600 and 2500 meters; high plains, coffee plantations, coconut groves, and rice fields follow each other. Tropical rainforests and bamboo jungles fall down to either stony or stunning sandy beaches.

India can be very hot in summer; maximum temperatures are reached in and around New Delhi, where the Himalayan Mountains to the North act as a natural barrier and re-circulate the hot air back into the country. During monsoon time between June and September, Mumbai, the West, and the East coast receive heavy rainfalls with many villages and roads flooded. Hot temperatures and high humidity turn the place into a steam pot. It is a tropical climate, but because of the different topography, regional climates can be very different. Climatically, the best places to be in are the cities at higher elevation inside the country, such as Bangalore or Pune. Hill stations like Ooty, Munnar, or Kodaikanal have an even more relaxed climate; the British had made good use of them as summer residences during colonial times.

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<sup>72</sup> [Davies 2004, p. 11]



**Figure 2-1.** The Indian subcontinent

India is rich in minerals; with an estimated 200 billion tons, coal is India's most important natural resource. While there are also some supplies in iron ore, manganese, chrome, magnesium, bauxite, copper, lead, and zinc, India is a net importer for most resources. Crude oil is very rare which poses a big challenge for India's future economic development.

Agriculture has been around in India for ages. Even today, 60% of the country's population works in this sector.<sup>73</sup> One third of the world's rice harvest comes from India; tea, coffee, cotton, sesame, mustard, pepper are important export goods.

## 2.2 Brief History

"India's story is one of the grand epics of world history".<sup>74</sup> Throughout thousands of years it had seen great civilizations, invasions, cataclysms, and the birth of several religions. Indian history has always been 'work-in-progress', it has never

<sup>73</sup> Cf. [CIA Worldbook], data for 2003

<sup>74</sup> [Singh et al. 2005, p. 38]

reached a final state but has always been a constant process of development. From this stream of change, today, a modern nation has emerged.

### 2.2.1 Ancient Times<sup>75</sup>

Stone age rock shelters with paintings at Bhimbetka in the state of Madhya Pradesh are among the earliest known traces of human life in India. They date back to 10,000 BC, but there are absolutely no archaeological findings older than 500,000 years, leading to the assumption that homo sapiens did not settle south of the Himalayas. Permanent settlements appeared around 7,000 BC. In the Indus and Ghaggar-Hakra river valleys, in what is today Pakistan and western India, it developed around 2,500 BC into the Harappa or Indus Valley Civilization, representing the cradle of civilization on the Indian subcontinent. This phase is contemporary to the Early to Middle Bronze Age, to Mesopotamian Ur III, prepalatial Minoan Crete, and the First Intermediate Egyptian Period. The people of the Indus Valley Civilization achieved great mastery in measuring length, mass, and time. Engineers already followed the decimal division of measurement. In the coastal city of Harappa, remarkable docks were built after studying the effects of tides, waves, and currents. The first worldwide evidence of dentistry and in vivo drilling of human teeth was discovered in Mehrgarh and dates 7,500 to 9,000 years back.<sup>76</sup> The yearly flooding of the Indus river was used to irrigate the fields of wheat, barley, sesame, pulses, mustard, dates, vegetables, and most likely also rice. Cities were also of remarkable size; estimates put the population of Moenjodaro as high as 40,000 to 50,000. Many elements of this culture would later find their way into Hinduism. Clay figurines suggest worship of a Mother goddess (later personified as Kali) and a male three-faced god (the prehistoric Shiva).

This great civilization started to fall into decline from around 2,000 BC. The reason is not quite clear; some historians attribute it to floods or decreased rainfall which threatened the agricultural base, but others claim that Aryan tribes from Afghanistan and Central Asia began to invade the northwest of India.

During this period of transition (1,500–1,200 BC), the Vedas were composed which laid the foundations of Hinduism. The canonical division of the Vedas is fourfold. The Rig-Veda are verses of praise in meter, and intended for loud recitation; the Yajur-Veda are in prose and intended for recitation in a lower tone at sacrifices; the Sama-Veda are again in meter and intended for chanting at the Soma ceremonies; the Atharva-Veda is a later addition and the recitation of its hymns is supposed to prolong life, cure diseases, or effect the ruin of enemies.

During the so-called Vedic Civilization various kingdoms were formed. From around 550 BC, sixteen independent kingdoms and republics known as the Mahajanapadas were established across the subcontinent.

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<sup>75</sup> Cf. [Singh et al. 2005, p. 38-40; Johnson 1995, p. 58-71]

<sup>76</sup> Cf. [Coppa et al. 2006]

India narrowly avoided two major invasions from the West. The Persian king Darius had managed to annex Punjab and Sindh along today's India-Pakistan border. Alexander the Great made his way to India from Greece in 326 BC, but his troops refused to cross the Beas River in Himachal Pradesh; he had to return home without putting a part of India under his control.

Around 500 BC two important religions arose in India: Buddhism and Jainism. Both condemned the caste system and questioned the Vedas. But the Jains, unlike the Buddhists, did not deny their Hindu heritage.

In the third century BC, after a number of military conquests, emperor Ashoka united most of South Asia. His empire stretched from present-day Afghanistan and parts of Persia in the West, to the present-day Indian states of Bengal and Assam in the east, and as far south as the city of Mysore in Karnataka. Most relics of the emperor Ashoka have been inscribed with the Ashoka Chakra, a wheel with 24 spokes. Today, it is used in the center of the national flag of India in a navy-blue color replacing the symbol of the spinning wheel (charkha) which was used in the pre-independence versions. During Ashoka's reign, arts and philosophy flourished; Buddhism was declared the state religion in 262 BC.

After the death of Ashoka in 233 BC, the empire slowly disintegrated and totally collapsed fifty years later in 184 BC. Despite this instability, this period was one of intense development. Trade with the Roman Empire through overland routes and by sea through India's southern ports was substantial, and there was also an overland exchange of goods with China.

From 180 BC, a number of invasions from Central Asia followed; the most successful one was led by nomads from north-west China, the Kushanas.

### 2.2.2 Modern History<sup>77</sup>

It is believed that St Thomas the Apostle arrived in Kerala in 52 AD, which accounts for the large number of Christians in this state even today.

From the third century AD, the Gupta dynasty oversaw a period known as India's Golden Age. Science, engineering, art, literature, astronomy, and philosophy flourished. Some of the finest work was done at the caves of Ajanta and Ellora. Towards the end of the Gupta period, Hinduism became once again the dominant religious force in India. Devotion and iconolatry date back to these days; the gods Shiva and Vishnu are heading the Hindu-pantheon.

The invasion of the Huns signaled the end of the Gupta period, and in 510 the Gupta army was defeated by the Hun leader Toramana.

Between the 10<sup>th</sup> and 12<sup>th</sup> century, invasions from Central Asia took place once again. In the center point of Muslim expansion was Mahmud of Ghazni, who had turned Ghazni, a city between Kabul and Kandahar in today's Afghanistan, into a glorious capital. He funded its glory through 17 raids into India, the most infamous of which was the raid on the Shiva temple at Somnath in Gujarat where a Hindu force of 70,000 died trying to defend the temple. In a single raid he stole

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<sup>77</sup> Cf. [Singh et al. 2005, p. 41-45; Johnson 1995, p. 73-127]

6.5 tons of gold. After Mahmud's death in 1033, Ghazni was first seized by the Seljuys and afterwards by the Ghurs from western Afghanistan, who also advanced into India in 1191. Their general Qutb-ud-din captured Delhi, was awarded the position of governor, and subsequently first sultan of Delhi; it was he who built the Qutb Minar complex, still today a great landmark in Delhi. Wherever he had destroyed a Hindu temple, he asked for a Muslim mosque to be built on top of its ruins. Large parts of North India came under the rule of the Delhi Sultanate, fighting off attacks from the Mongols while pushing the border southwards.

Meanwhile, a separate set of powerful kingdoms had emerged in South India, among them the Shatavahanas, Kalingas, and Vakatakas. However, the greatest empires emerged from the tribal territories on the fertile coastal plains: the Cholas, Pandyas, Chalukyas, Cheras, and Pallavas. Surviving architectural highlights of the Pallava rule can be found in the shore temple and Five Rathas in Mahaballipuram, the temples at Kanchipuram, and the Rock Fort Temple at Tiruchirappalli. Through trade with the Egyptians, Romans, and other Southeast Asian civilizations, the south of India became prosperous. The Cholas followed the Pallavas and under king Raja Raja (985–1014) they then controlled almost the whole of South India, the Deccan plateau, Sri Lanka, parts of the Malay peninsula, and the Sumatran-based Srivijaya kingdom. Throughout Hinduism remained the source of the South Indian culture.

In the North, Mohammed Tughlaq came to power in 1320 after murdering his father; he went on successful military campaigns in the South, moved his capital from Delhi 1,100 km south to Daulatabad near Aurangabad in Maharashtra. Missing inhabitants for his new capital, he sought to force-march the entire population of Delhi to Daulatabad resulting in heavy losses of life. But soon he realized that this left Delhi defenseless, and so he moved the entire capital back again – leaving behind a huge hilltop fortress which is a tourist sight in Daulatabad today.

Delhi's fate was sealed when in 1398 Tamerlane of Samarkand in Central Asia invaded India; his soldiers are said to have slaughtered every single Hindu inhabitant. Meanwhile, several small kingdoms arose in the south: the Muslim Bahmani sultanate 1345 in Gulbarga and later in Bidar, the Hindu Vijayanagar empire in 1336 in Hampi (see Figure 2-2). Both kingdoms engaged in several fierce battles.

Simultaneously, in Kabul the Mughal dynasty came into power; its founder Babur was a descendent of both Genghis Khan and Tamerlane. His army was technologically superior and the Mughals expanded their kingdom to gradually cover most of the subcontinent. Also the arts and literature flourished presenting India with another golden age.

However, Babur's son Humayun was defeated by Sher Shah from eastern India in 1539 and had to withdraw into Iran. After Sher Shah's death, he returned and re-conquered Delhi. His successor Akbar finally managed to consolidate the empire and brought relative peace to the country during his 49-year reign. As a Muslim ruler, he understood that the influence of Hinduism could not be neglected and



**Figure 2-2.** Remains of the Vijayanagar empire at Hampi<sup>78</sup>

tried to integrate Hindus into his state apparatus. He abolished the pilgrimage tax Hindus had to pay in order to assemble for religious ceremonies; also Hindus were now allowed to renovate their old temples and build new ones. He even formulated a new religion, Deen Ilahi, which combined his favorite parts of all religions he had encountered and studied. His new capital Fatehpur Sikri, close to Agra, is an example of great architecture. However, it was only inhabited for 15 years after which he moved the capital to Lahore to be closer to some insurgence in Afghanistan.

Akbar was followed by Jehangir and then by Shah Jahan, who had built the Red Fort in Delhi, converted the Agra Fort into a palace, and constructed the Taj Mahal (see Figure 2-3) which today ranks as one of the wonders of the world. Ironically, the Agra Fort later became his jail when his son Aurangzeb imprisoned him. He got greedy again and tried to expand his empire further. The Hindu population became irritated by rising tax burdens and newly erupted religious intolerance. In addition, the empire faced challenges from the Marathas in central India and the British in Bengal. In 1739, the Persian ruler Nadir Shah invaded Delhi.

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<sup>78</sup> Photo by author



**Figure 2-3.** Taj Mahal<sup>79</sup>

In Rajasthan, the Rajputs remained strong Hindu powers but eventually became vassal states of the Mughal empire. In central India, the Marathas gathered Hindu support under their leader Shivaji. Between 1646 and 1680, he did many heroic acts against the Mughals, was even taken prisoner by the Mughals but managed to escape from Agra Fort again. In the long run, they managed to undermine the Mughal empire by supplying troops and then actually taking control of the land. The expansion of the Marathas to the west was halted by Ahmad Shah Durani from Afghanistan in 1761, but at least they managed to consolidate their power in central India. Nonetheless, they did not manage to hold up against the British imperial power.

### **2.2.3 Arrival of the Europeans<sup>80</sup>**

“The British were not the first European power to arrive in India, nor were they the last to leave – both of these ‘honors’ go to the Portuguese”.<sup>81</sup>

In 1498, Vasco da Gama landed in Kerala, having sailed around the Cape of Good Hope in Africa. Only a few years later, the Portuguese captured Goa in 1510 and Diu in 1531. They held and controlled both enclaves until 1961.

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<sup>79</sup> Photo by Sandeep Dhirad (permission granted)

<sup>80</sup> Cf. [Singh et al. 2005, p. 46-47; Johnson 1995, p. 128-140]

<sup>81</sup> [Singh et al. 2005, p. 46]; spelling adapted



Looking at the Indian history, there were already long lasting economical connections with the countries of the Mediterranean. But it was only the Portuguese with their ships who started trading in big terms. Initially, European merchants had to pay for Indian goods in cash, because up to the 19<sup>th</sup> century Europe did not have much to offer to the Indian customers. Second to trade for the Portuguese came missionary activities. But the European influence was hardly noticeable before the 18<sup>th</sup> century. Instead, the Europeans were regarded as an oddity and as petitioners for valuable Indian goods.

However, in the long run, Portugal did not have the necessary power to maintain a worldwide empire and had to quickly surrender space to the British and French. In the 16<sup>th</sup> and 17<sup>th</sup> century, the Europeans competed for and sometimes also fought over trading rights with India. In 1613, representatives of the East India Company established first trading posts in Gujarat, later in Chennai, Bengal, and Mumbai. For nearly 250 years a commercial trading company – and not the British government – practically ruled over British India.

The French had established themselves in 1672 in Pondicherry on the west coast. Rivalry between British and French control over India began. Initially, the French appeared to hold the upper hand and took Chennai in 1746, but already had to hand it back three years later. In 1750 all French aspirations ended when the directors of the French East India Company decided that their local representatives were playing too much politics and did not focus on trade. A settlement was reached with the British, which in the short term increased the profit of the French but effectively meant the beginning of the decline of French power on the sub-continent.

The Mughals granted the British a license to trade in Bengal. Having established a trading post in Kolkata, their business began to expand rapidly. In 1725, there were already around 30–40 British owned and operated vessels stationed in Kolkata. The growing business and fortification of the British trading posts was eyed suspiciously by the nawabs, the local rulers. Eventually, the nawab decided that British power had become excessive and attacked Kolkata in 1756. Six months later, Kolkata was re-taken under leadership of Robert Clive, an employee in the military service of the East India Company and later Governor of Bengal.

The British took advantage of several quarrels between Indian kingdoms and especially the power vacuum created by the disintegration of the Mughal empire in the north. The Marathas were divided among themselves and so Warren Hastings, governor in Bengal from 1771, was able to expand the company's control by entering a series of treaties with local rulers.

In the South, the situation was less clear due to a strong British-French rivalry. Hyder Ali and his son Tipu Sultan of Mysore started a series of determined campaigns against the British. But in the fourth Mysore war (1789–1799), Tipu Sultan was killed at Srirangapatnam and British power could advance further.

### 2.2.4 British Colonialism<sup>82</sup>

By 1856, most of India was under the control of the British East India Company. There was still a patchwork of independent states governed by maharajas (Indian princes) or nawabs (local rulers), which administered their own territory. From 1784 onwards, the East India Company had developed a system of central government with increased backing from the British government in London. The British continued to focus on trade and getting profit out of their India engagement. This brought far-reaching changes to India: coal and iron mining were developed, tea, coffee, and cotton became key crops, irrigation projects were started, and first steps were taken in building a vast railway system on the subcontinent. English was imposed as the language of administration which significantly eased the running of the country for the British but also kept them at a good distance from the general populace.

In 1857, the first rebellion – commonly referred to as the First War of Independence or Sepoy Mutiny – challenged British rule. The real underlying causes and triggers for this uprising are still subject of debate amongst historians. Key factors were the dispossession of territories from local rulers, taxes imposed on landowners, and the influx of industrially produced cheap textiles and other goods from Britain, which destroyed the livelihood of the small people in India. But the uprising was sparked by an incident in the army barracks in Meerut in Uttar Pradesh on May 10, 1857. The British had introduced a new type of bullet and there were rumors that the greasing of the bullets was done by either cow or pig fat. Since loading a rifle involved biting off the end of the waxed cartridge, these rumors caused considerable unrest with both Hindus and Muslims; cows are considered sacred by Hindus and pigs unclean by Muslims. The commanding officer in Meerut directly marched Indian soldiers into prison who refused to bite off the ends of their bullets. 47 out of the 74 Indian battalions of the Bengal army mutinied and marched to Delhi and Lucknow. But eventually this uprising failed and India came under direct control of the British Crown as a colony of the British Empire. The British government announced it would support the existing rulers of the princely states and not interfere in local matters as long as they showed their loyalty to the British crown.

But the desire to be free from foreign powers remained among many Indians. Opposition against the British colonial power was spearheaded by the country's oldest political party, the Indian National Congress, also known as the Congress Party, or simply as Congress.

The situation calmed down with the outbreak of the First World War. India contributed heavily, sent more than one million Indian volunteer soldiers overseas, and suffered well over 100,000 casualties. The Congress had supported India's involvement in the war and hoped for a reward – which never came. Disillusion was followed by new disturbances and uprisings. In April 1919, a British army

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<sup>82</sup> Cf. [Singh et al. 2005, p. 47-48; Johnson 1995, p. 146-172]

contingent fired into a crowd of unarmed protesters in Punjab, killing more than 1,000. Politically, this massacre made many so far apolitical Indians turn to the Congress. At this time, the Congress had found a new leader in Mahatma Gandhi who preached a policy of non-violence. As the movement gained momentum, the Muslim population got concerned about their future in a Hindu dominated free India. In the 1930s they started the discussion about a separate Muslim state. Again, political events in Europe and the outbreak of the Second World War disrupted this movement. Many Congress supporters were preemptively jailed by the British in order to prevent any disruption to the war effort.

British elections in July 1945 brought victory to the Labour Party and for the first time, Indian independence was discussed as a legitimate matter. But the dialogues did not manage to bring together the two Indian parties. While Jawaharlal Nehru, leader of the Congress, campaigned for a united and liberated India, Mohammed Ali Jinnah, leader of the Muslim League, argued for a separate Muslim state. The country was on the edge of civil war. In August 1946, a planned slaughter of Hindus by Muslims in Kolkata called for retaliation. The situation was out of control for the British and they announced Indian independence for June 1948. Despite British led negotiations between Congress and Muslim League about a united India, both parties could not agree and the decision was taken to divide the country in two. Mahatma Gandhi remained the sole opponent to this plan. Increasing civil violence made the British to bring forward the day of independence to August 15, 1947. An independent British referee was tasked in drawing the border line between Hindu and Muslim territories. Some areas were clearly Hindu or Muslim, but others had mixed populations. Even worse, there were islands of communities in areas dominated by the other religion. Muslim Pakistan got a western and eastern part divided by a Hindu India. Even though it was obvious that this split was deemed to fail one day, it took East Pakistan 25 years to become a separate state like Bangladesh.

Why could the unity of India not be saved? Historians offer three explanations:<sup>83</sup>

- The Congress leadership underestimated the Muslim League under Ali Jinnah.
- Ali Jinnah was personally ambitious and pursued a separate state at all costs; the Muslim League did not care about human consequences.
- The British promoted a divide between Hindus and Muslims in an effort to perpetuate their rule. “Most British officials were predisposed to prefer Muslims, for, compared with Hindus, their forms of worship and ways of life were less alien. Overall, policy deepened religious divisions, which helped consolidate the white man’s rule”.<sup>84</sup>

In October 1947, the Time magazine reported that “In the first six weeks of Independence, about half as many Indians were killed as Americans died during nearly four years of the Second World War. There is still no possible numbering

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<sup>83</sup> Cf. [Guha 2007, p. 26-27]

<sup>84</sup> [Guha 2007, p. 27]

of the wounded and the mutilated who survived, or of those who must yet die for lack of the simplest medical facilities, or of so much as a roof over their heads. It is unbearable, and unwise as well, to cherish memory of the bestial atrocities which have been perpetrated by Moslem and Sikh and Hindu alike. It is beyond human competence to conceive, far less to endure the thought of, the massiveness of the mania of rage, the munificence of the anguish, the fecundity of hate breeding hate, perhaps for generations to come”.<sup>85</sup> Communal violence killed an estimated 1 million Hindus, Muslims, and Sikhs; about 3.5 millions Hindus and Sikhs from the newly created territory of Pakistan migrated to India.

At the initiative of Gandhi and Nehru, the Congress passed a resolution on the rights of religious minorities in India. Whatever the situation was like for Hindus in Pakistan, India was planned to become a secular state where all citizens enjoy equal rights and protection of the state. However, other political and religious streams did not support this viewpoint and wanted to turn India into a Hindu nation. With continued attacks on Muslims, Gandhi resorted to a fast on January 13, 1948. Firstly, he wanted to address the people of India, Hindus and Muslims, to live in peace and brotherhood. Secondly, he pledged the Pakistani government to stop driving out Hindu minorities from their territory. Thirdly, he requested the Indian government to release money owed to the government of Pakistan, which the British had paid for Indian contributions during the Second World War. However, Gandhi stood almost alone in urging religious tolerance. On the evening of January 30, 1948, he was shot dead by a Hindu zealot at his daily prayer meeting.

Gandhi’s most powerful followers, Vallabhbhai Patel and Jawaharlal Nehru, were reunited in the course of events, and “[...] told the nation that while their master had gone, his message remained”.<sup>86</sup>

### 2.2.5 Post-Independence<sup>87</sup>

Within India, the British left behind a geopolitical problem far greater than the separation of India and Pakistan. There were more than 500 distinct pieces of territory, chiefdoms, and princely states. These states owed their shape, power – or lack thereof – to the British, who had used them as strategic allies against the French and to ensure the best possible return on investment of their colonial engagement in India. Hardly any of these states had a coastline; few had any modern industry, or a modern form of education.<sup>88</sup> In a speech by Lord Mountbatten, the last British viceroy and governor general of India, these states were now released from their obligations to the British Crown. He persuaded them to integrate with India and come to terms with the Congress, which would now rule India.<sup>89</sup>

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<sup>85</sup> [Time 1947]

<sup>86</sup> [Guha 2007, p. 23]

<sup>87</sup> Cf. [Guha 2007; Singh et al. 2005, p. 49-54] and various wikipedia sites

<sup>88</sup> An exception were the maharajas of Mysore and Baroda who had founded good universities, worked for dissolving caste differences, and supported modern enterprises.

<sup>89</sup> Cf. [Guha 2007, p. 34-44]

Prior to the British withdrawal from India, the state of Jammu and Kashmir came under pressure from both Muslims and Hindus to join either future Pakistan or India. The maharaja of Jammu and Kashmir wanted to remain independent and delayed a decision. Parallel to the British withdrawal, the state was invaded by tribal and regular Pakistani soldiers. The maharaja then decided to join India, which in turn promptly sent its own troops. The Pakistani offensive ran out of steam towards the end of 1947, fronts solidified, and small-scale battles continued till late 1948. In December 1948, a formal ceasefire was declared; India retained three fifths of Jammu and Kashmir.

On the international front, Jawaharlal Nehru, India's first prime minister, tried a policy of nonalignment, balancing relationships with Britain, being a member of the Commonwealth, and moving closer to the USSR. The latter was due to conflicts with China and support for Pakistan from the US.

In 1949, India faced the next plight of close to 1 million refugees from East Pakistan owing to an outbreak of communal violence against Hindus. The Indian states did not have the resources to absorb so many refugees; hence, the Indian government started talks with Pakistan and signed a treaty pledging both nations to protect their respective minorities. As a result, many Hindus returned to East Pakistan and the relations temporarily thawed.

India's new constitution came into effect on January 26, 1950, the first national elections were held in 1952, and the Congress won with an overwhelming majority, with further election victories in 1957 and 1962. Rajendra Prasad became India's first president and Jawaharlal Nehru began a second term as prime minister.

Extensive internal reforms improved the rights of women in Hindu society and further legislated against caste discrimination and untouchability. A socialist model for the Indian economy was established, farmers did not have to pay taxes, blue-collar workers were guaranteed minimum wages and other benefits; heavy industries were nationalized. At the same time children were encouraged to enroll for primary education, thousands of schools and the Indian Institutes of Technology were founded.

On the western coast, Goa remained a Portuguese colony until 1961, when India, after continual petitions for a peaceful handover, invaded and annexed the territory.

In 1961, China and India engaged in a brief war over the borders in the Himalayas. The war was a disaster for the Indian army which was not used or trained to fighting in high-altitude terrain above 4,250 meters (14,000 feet); as a result, India lost control over both disputed territories. Nehru was faced with a complete disintegration of his armies and appealed to the USA for military help, should China advance further into India. News of the dispatch of an US aircraft carrier to the Bay of Bengal forced China to unilaterally declare a ceasefire and withdraw from lands occupied in the northeast. Till today China continues to occupy Aksai Chin in Kashmir and disputes India's sovereignty over Arunachal Pradesh. The conflict over Sikkim was peacefully resolved in 2003. The disaster

of the Sino-Indian war led to increased patriotism in India and to a rebuild of the Indian army.

Jawaharlal Nehru died in 1964, and his daughter Indira Gandhi<sup>90</sup> was elected as prime minister in 1966.

In 1965, Pakistan still sensed a weakened Indian army and its troops tried to infiltrate into Indian Kashmir and hoped for an uprising of the local population. However, the plan backfired as the Kashmiris arrested the infiltrators. Pakistan opened other fronts. In September 1965, the United Nations Security Council passed a resolution calling for an unconditional ceasefire; the war ended the next day, and a formal ceasefire was agreed under brokerage of the Soviet Union. The war claimed casualties of more than 6,500 on both sides.

However, the ceasefire lasted only for six years. After elections in East Pakistan, the state sought independence from Pakistan. In March 1971, a rebellious army in Bangladesh declared independence from Pakistan. Indira Gandhi, prime minister of India, expressed full support of the Bangladeshi independence struggle. As India opened her borders to Bangladesh, more than 10 million refugees fled to India causing financial hardship and instability to the country. The USA promised to support Pakistan with military equipment. As a countermeasure, Indira Gandhi toured Europe and convinced the governments of Great Britain and France to block any pro-Pakistan directives in the United Nations Security Council. She greatly shocked the USA, when in August 1971 she signed a twenty-year treaty with the Soviet Union declaring friendship and cooperation.

By November, the military built-up at the border was immense and the Indian army only waited for winter to start, as the ground would allow easier operations and the Himalayan passes would be blocked by snow to prevent China from intervening. In December, Pakistan was desperate and launched a pre-emptive air strike into India. Pakistani planes went as far as to Agra, around 480 kilometers from the border, and attacked several airbases. This gave India sufficient reason to launch a full-scale attack against Pakistan, both on the Western and Eastern front. India's campaign was a true blitzkrieg, resulting in the surrender of the Pakistani army within two weeks. However, on the brink of defeat, Pakistan started a pogrom against the Hindu minority in Bangladesh killing many intellectuals who were seen as possible rebels. The human cost of the war was high and estimates of casualties range from 300,000 to 3 million. India took 90,000 prisoners of war in the east.<sup>91</sup> In the following year, and as part of the Simla peace agreement, India returned most of the captured territory to Pakistan and wanted to enter a lasting peace agreement.

Within India, economical and social problems combined with high levels of corruption were the reason for increasing political unrest. In 1974, the High Court found prime minister Indira Gandhi guilty of misusing government means for election purposes. The opposition demanded her immediate resignation, and

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<sup>90</sup> Despite the same name, there is no relationship between Indira Gandhi and Mahatma Gandhi

<sup>91</sup> Cf. [Guha 2007, p. 460]

strikes further paralyzed the economy. President Fakhruddin Ali Ahmed declared a state of national emergency in 1975, which allowed Indira Gandhi to restore law and order; but she also severely cut into civil liberties and postponed elections at various levels. India's economy benefited, but corruption and authoritarian control by the state increased. The police was accused of arresting and torturing innocent people, the Health Ministry carried out forced vasectomies of men and sterilization of women to control population growth, slums were demolished killing thousands and leaving many more displaced. In 1977, Indira Gandhi finally called for elections, only to suffer an electoral defeat against an amalgamation of opposition parties; Morarji Desai became the first non-Congress prime minister. Indira Gandhi and her son were arrested for political power abuse during the emergency era. However, soon the coalition crumbled. In 1979, Charan Singh formed an interim government, and already in January 1980 the Congress and Indira Gandhi were back into power with a large majority.

The eighties saw a rise of insurgency in Punjab, communal violence in Assam, and when military forces raided the militant hideouts in the Golden Temple of Amritsar, the death of many civilians and damage to the temple inflamed many members of the Sikh community across India. On October 31, 1984, the Sikh bodyguards of Indira Gandhi murdered her. Further communal violence erupted in New Delhi and in parts of Punjab killing thousands of people.

The Congress chose Indira's son Rajiv Gandhi as the next leader and Prime Minister. He loosened government restrictions on the industry and encouraged science and technology, effectively spurring the birth of India's IT and BPO industry. However, India's masses did not benefit from these reforms and unemployment was on the rise. In 1989, elections only gave him a plurality and VP Singh became prime minister. He increased reservation quotas for low-caste Hindus, against which the opposition party BJP (Bharatiya Janata Party) protested; he had to resign and Chandra Shekhar took over for a few months, but his government collapsed when the Congress withdrew support.

### 2.2.6 Age of Reforms<sup>92</sup>

In the midst of an election campaign in May 1991, a female suicide attacker killed Rajiv Gandhi. Waves of shock and sympathy went through the country and carried the Congress party to victory. The party chose Narasimha Rao as its 'stopgap leader' to head a minority government. Nobody expected much of this seventy year old intellectual, quiet, and dull prime minister. Notwithstanding, he was about to unleash the biggest revolution in India since independence in 1947.

The financial crisis had been long looming. Rajiv Gandhi's government had spent profligately. When oil prices went up during the Gulf crisis, India had no foreign exchange reserves left to buy oil. This in turn led to a flight in capital by an estimated twenty million nonresident Indians, many of whom had invested in

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<sup>92</sup> Cf. [Das 2000, p. 213-227; Guha 2007, p. 694-695]



high interest accounts in Indian banks. Narasimha Rao understood that India was bankrupt, and as a first decision appointed Dr. Manmohan Singh as finance minister who had earned himself a doctorate from Oxford University in which he had suggested that India should move towards a more open trade regime;<sup>93</sup> he had been professor for economics and international trade at Panjab University in Chandigarh, then the governor of the Reserve Bank, and had also headed the South-South Commission in Geneva; This was the same Manmohan Singh who – in 2007 – was to become prime minister of India. Palaniappan Chidambaram, with an MBA from Harvard University, became commerce minister. The crisis was an opportunity for change; and change was necessary, as foreign exchange reserves were down to two weeks of import. A USD 2.2 billion emergency loan from the IMF was granted against a part of India's gold reserves, which were flown out to London. This had even hit the opposition leaders: gold is the ultimate symbol of trust and honor in India and pawning the national gold reserves to stay afloat was close to national humiliation.<sup>94</sup> The rupee currency was devalued by 20%, export subsidies were removed, the trade side of the 'Licence Raj' was abolished and replaced by Exim scrips, which allowed exporters to earn foreign exchange for part of the value of their exports. They could use them to directly import goods or sell them in the market, and other producers could buy them instead of applying for an import license. A year later, Exim scrips were replaced again by dual exchange rates that helped to further eliminate bureaucracy. Principal secretary A.N. Varma was tasked with de-licensing the industry and allowing foreign investments. Within two years, the fiscal deficit came down from 8.4% of GDP in 1990–91 to 5.7% in 1992–93, inflation decreased from 13% to 6%, and foreign exchange reserves shot up from USD 1 billion to USD 20 billion; foreign investment began to double each year.<sup>95</sup>

However, once the crisis had passed, the pressure diminished and reforms stopped or slowed down to an incremental pace. Privatization was not completed, labor reforms were not introduced, the agriculture or insurance business was not opened to the market. Subsidies once again started eating away the health and heart of the Indian country. India's infrastructure was not improved, and civil servants kept on asking for bribes. But since Narasimha Rao's reforms, India has learnt to appreciate the efficiency of a free market; there is broad consensus about the need for incremental and careful reforms.

The Congress Party was defeated in the elections of 1996. For many years no single party was able to win a majority; India faced unprecedented political instability.<sup>96</sup> The BJP started to play Hindu sentiments and campaigned against Muslims. In December 1992, this culminated in the demolition of Babri Masjid, a mosque in north India, leading to widespread violence in the country. The BJP

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<sup>93</sup> Cf. [Guha 2007, p. 694]

<sup>94</sup> Cf. [Das 2000, p. 215]

<sup>95</sup> Cf. [Das 2000, p. 220]

<sup>96</sup> Cf. [Das 2000, p. 226]



realized that it had to become moderate in order to stay in power. Under the leadership of Prime Minister Atal Behari Vajpayee it followed a restrained path and concentrated on the IT sector.

### 2.2.7 Recent Events

#### *Nuclear Tests 1998*

In May 1998, the new government under Vajpayee conducted a series of underground nuclear tests, prompting Pakistan to go for nuclear tests immediately thereafter. The US and Japan imposed economic sanctions pursuant to the Nuclear Proliferation Prevention Act.

#### *Kargil War 1999*

In February 1999, the Indian prime minister Atal Behari Vajpayee traveled to Lahore in Pakistan by bus; he discussed increasing trade and more liberal visa regulations with his Pakistani counterpart Nawaz Sharif. However, no progress was made on the border issue in Kashmir. Despite the initiated talks, Pakistani paramilitary forces and Kashmiri insurgents began to infiltrate the Line of Control (LoC) that serves as a de-facto border between the two states. They were first detected by Indian shepherds in May 1999 who were scanning the mountains with binoculars in search of wild goats. Two weeks later, an armed conflict between both nations took place in the Kargil district of Kashmir. The Indian Army and Air Force successfully attacked Pakistani positions, and the navy prepared to block the Pakistani port of Karachi. Pakistan found itself in a prickly position with only 6 days of fuel left and covertly planned a nuclear strike on India. These news alerted the USA, and President Bill Clinton issued a strong warning to Pakistan's prime minister Nawaz Sharif, who had traveled to Washington to look for possible solutions. On returning to Pakistan, Nawaz Sharif formally called off the operation and Pakistan withdraw its forces behind the LoC. President Clinton's clear and firm demands not only averted a nuclear conflict on the subcontinent but rekindled relations between the USA and India.<sup>97</sup>

The aftermath of the conflict saw increased defense spending in India and a rise of the Indian stock market. It also provided material for Bollywood filmmakers and many movies cover this conflict, e.g. LoC Kargil, Lakshya, Dhoop, Mission Fateh, and Fifty Day War.

For Pakistan the war brought economical and political instability. On October 12, 1999, a bloodless coup d'état by the Pakistani military placed army chief General Pervez Musharraf in power, ousting prime minister Nawaz Sharif. "The

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<sup>97</sup> Cf. [BBC 160502]. Note that other authors, e.g. [Guha 2007] do not explicitly mention the nuclear threat in connection with the Kargil war.

Indians were not best pleased with these developments; for it was Musharraf who was believed to have masterminded the Kargil operations”.<sup>98</sup>

### *Military Standoff with Pakistan 2002*

In March 2000, President Bill Clinton visited India and Pakistan; the day after he landed in New Delhi, terrorists attacked a village in Kashmir. Even in July 2001, when President Musharraf visited Agra, terrorists again struck the valley. “This was becoming a pattern – whenever important dignitaries visited New Delhi the violence in Kashmir would escalate”.<sup>99</sup> When US Secretary of State Colin Powell visited India in October 2001, terrorists launched a grenade assault on the Jammu and Kashmir assembly. And in December, four suicide bombers attempted to blow up the Indian Parliament. The attacks on both places brought an end to the political dialogue between India and Pakistan.

In the spring of 2002, military exchanges between Indian and Pakistani troops along the LoC became more frequent. The military build-up at the border intensified; India had 500,000 troops and Pakistan 120,000 troops in the region. Concerns about a nuclear exchange returned and the USA recommended all non-essential citizens to leave India.<sup>100</sup> In June, India accepted President Musharraf’s pledge to end militant infiltration into India and war was averted.

### *Change from BJP to Congress*

Simultaneously, in February 2002, a train carrying mostly Hindu Fundamentalists was burned down by a Muslim mob near the station of Godhra in Gujarat; the riots started the next day and led to more than 1,000 people dead<sup>101</sup> and 150,000 displaced.<sup>102</sup> The BJP-led state government was accused of not doing enough to stop Hindu mobs attacking Muslims.

But India’s fast economic progress and a peace initiative with Pakistan increased the popularity of Vajpayee’s government. In 2004, he recommended early general elections. Unexpectedly, the Congress party came back to power. President of the Congress, Italian born Sonia Gandhi, who is widow of Rajiv Gandhi, declined to take the post and opened the path for Dr. Manmohan Singh to become prime minister. With the benefit of hindsight, Vajpayee’s feel-good slogan ‘India is shining’ and his promise to bring prosperity through market-led growth, did not find the approval of the village population who felt left behind in the economic progress. Dr. Manmohan Singh is the first Sikh to hold the position of prime minister in India. He currently continues economic liberalization and infrastructure projects; his tenure will end in 2009.

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<sup>98</sup> [Guha 2007, p. 678]

<sup>99</sup> [Guha 2007, p. 679]

<sup>100</sup> Cf. [Howard 2002]

<sup>101</sup> Cf. [BBC 110505]

<sup>102</sup> Cf. [Brass 2005, p. 388]

### *Realignment with the USA and China*

The growing Indian economy is a strong reason for a shift in foreign policy and especially a friendship with the USA. During the Cold War, the USA leaned towards Pakistan, and India towards the USSR. The nuclear tests of 1998 more or less marked the end of India's independent foreign policy. Initially, the USA objected but later came to accept India's nuclear status. Indian leaders took to speaking of common democratic values. But there was also economic self-interest from both countries: India's growing wealth meant a large market for American goods and the USA is by far the greatest outlet for India's IT and BPO industry.<sup>103</sup>

The driving force for the growing friendship between India and China is also of an economical nature. Chinese electronics and plastic goods show an increasing presence in Indian shops, whereas India exports drugs and cosmetics to China. In 2003, Prime Minister Vajpayee recognized Tibet as an integral part of China, and China returned the favor by accepting that the Himalaya state of Sikkim was part of India. His visit was returned in 2005 by Chinese Prime Minister Wen Jiabao, who called for an alliance between the Indian software and Chinese hardware industry to ensure that the twenty-first would be an Asian century.<sup>104</sup>

## **2.3 Government and Political Parties**

Today the Indian Union is a parliamentary and democratic republic based on a federal system. Compared to the USA, the central government has greater power in relation to the states. It is patterned after the British parliamentary system, which is not surprising considering India's colonial past. Defense, foreign policy, and atomic energy are dealt with by the central government, whilst law and order remains the responsibility of the state governments. Science, technology, education, and environment are the responsibility of both governments.<sup>105</sup>

Head of state is the president who is elected for a period of five years. He nominates the prime minister and the cabinet. The congress is made up of the Council of States (Rajya Sabha) and the House of People (Lok Sabha). The Council of States was established in 1919, and with independence it developed into a second chamber with 250 representatives – 238 from the federal states and union territories and 12 directly nominated by the president. Every other year, one third of the Council's members leave and are replaced with new members asked to service for six years; it is headed by the vice prime minister. The House of People comprises a maximum of 552 members serving for five years. The prime minister heads the ministers and consults the president; hence the real power lies with the prime minister.

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<sup>103</sup> Cf. [Guha 2007, p. 714-715]

<sup>104</sup> Cf. [Guha 2007, p. 716]

<sup>105</sup> Cf. [Sahay 2007, ch1.2]

The governors of the 28 federal states are appointed by the president for a period of five years. Every state has its own parliament and constitution. Seven union territories are directly administered by the central government.

Important political forces are:

- The Congress. Established in 1855 as Indian National Congress (INC), it is the oldest national party which gained importance under Gandhi and Nehru. It became the biggest and ruling party in 1980 under the leadership of Indira Gandhi, and moved to the opposition later under Italian born Sonia Gandhi. Since 2004, it is again the leading power with prime minister Dr. Manmohan Singh. While Manmohan Singh is one of the world's finest economists (see chapter 2.2.6), it is said that Sonia Gandhi is the real power behind him.<sup>106</sup>
- Bhartiya Janata Party (BJP). Established in 1952, BJP is a Hindu nationalist party that officially supports secularism but nevertheless sees India as a Hindu state. This rather radical approach got the party to power in 1998, which it surprisingly lost again in 2004. Their 'India is shining' campaign did not manage to convince the rural population who felt left behind in the country's economic advancement (see chapter 2.2.6).
- Communist Party. There are two arms: the Communist Party of India (CPI) had strong ties with the Soviet Union during the cold war. In 1964, the Communist Party of India Marxist (CPM) split from CPI. CPM is more of a Marxist oriented party and today stronger than CPI. The communist parties are open to the free-market economy and acknowledge the country's governing powers and have thus managed to participate in forming the government.

In addition, there are several hundred smaller parties that sometimes are of only local relevance.

India has a fairly standard system: legislature, executive, and judiciary – each being independent of the other to allow for checks and controls. India's judicial system came to live under the British and thus its concepts and procedures resemble those of Anglo-Saxon countries. The apex judicial authority is the supreme court which is vested with powers to enforce fundamental rights and guard the constitution. Then there are high courts in every state and lower courts at town level. In addition, alternative dispute resolution mechanisms are in place to help resolve pending court cases through arbitration or conciliation.<sup>107</sup> In recent years, the judiciary has taken on its role more actively and as the general populace has lost confidence in the bureaucracy of the executive, public interest litigation<sup>108</sup> has become quite common.<sup>109</sup>

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<sup>106</sup> Cf. e.g. [Vermeer/Neumann 2008, p. 20]

<sup>107</sup> Cf. [Sahay 2007, ch1.2]

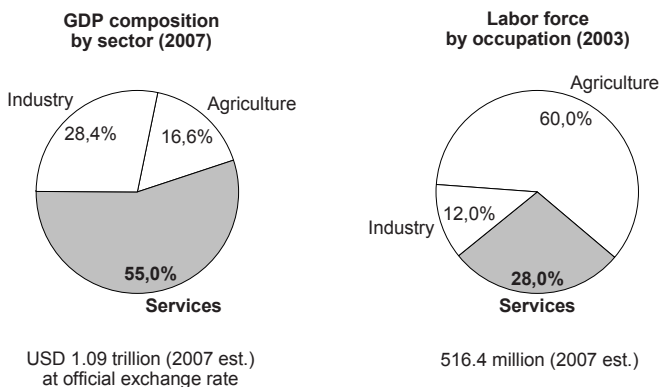
<sup>108</sup> Public interest litigation: concerned citizens file suits in court on matters of public and social interest, although they may not be directly affected.

<sup>109</sup> Cf. [Chhokar 2007, p. 977]

## 2.4 Economic Situation

After independence, India had been more or less a centrally planned economic system for almost four decades. The economy was controlled and regulated by the government. Initial and tentative steps in liberalization and easing of controls were taken in the mid-1980s. However, far-reaching changes have only taken place from 1991 onward.<sup>110</sup> Along with the opening of the markets came the rise of materialism together with a desire to get rich quickly. It has blurred the distinction between right and wrong, resulting in a fairly large-scale and deep-seated corruption (see chapter 4.5.4). This is not only confined to government officials but also some IT engineers inflate their CVs with jobs, skills, and experiences they have never had.

The present day economic situation in India looks promising with a GDP annual growth rate of 8.5%.<sup>111</sup> Domestic demand is increasing and propelling the economy upwards. The service sector industry, of which IT and BPO are a major part, contributes to 55% of economic output (see Figure 2-4) and grows at a rate of close to 10%. The agricultural sector with a contribution of less than 20% to the GDP is an area of concern. Despite favorable monsoon seasons in the past years, the sector only shows a meager growth rate of 2.3% and still occupies roughly 60% of the country's workforce. Mismanagement of irrigation, surface water, and an inability to increase productivity are some of the problems the sector faces.<sup>112</sup> This means many farmers face unbearable income situations. 25% of India's population lives below the poverty line; the unemployment rate is estimated at 7.2%.<sup>113</sup>



**Figure 2-4.** Composition of the Indian economy<sup>114</sup>

<sup>110</sup> Cf. [Chhokar 2007, p. 976]; see chapter 2.2.6 for a sequence of events

<sup>111</sup> Cf. [CIA Worldbook]

<sup>112</sup> Cf. [CIA Worldbook; Kapoor 2007, ch1.3]

<sup>113</sup> Data for 2007, cf. [CIA Worldbook]

<sup>114</sup> Cf. [CIA Worldbook]

As the fourth-largest economy in the world based on purchasing power adjusted GDP,<sup>115</sup> India is naturally an attractive destination for global investors. However, in the past its rigid policies were a significant hindrance for foreign direct investment (FDI). As a result of rigid and ambitious reforms, India has managed to position itself as a front-runner in the Asia-Pacific region. In 2005, the FDI policy was liberalized and now allows up to 100% FDI stake in certain ventures.<sup>116</sup> Prime Minister Dr. Manmohan Singh "... believe[s] that India needs a lot more foreign direct investment than we've got, and we should have the ambition to move in the same league many other countries in our neighborhood are moving. We may not be able to reach where the Chinese are today, but there is no reason why we should not think big about the role of foreign direct investment ...".<sup>117</sup>

But in India itself, there is "... widespread irritation that the Indian economy is [...] often seen in the West as being principally driven by armies of underpaid 'cybercoolies' working night shifts in call centers."<sup>118</sup> If India wins a cricket match, it's a national issue, and if Indian companies buy a Western company, it marks a symbolic moment. In February 2007, the Tata Group bought Corus, the British Steel company, for EUR 10.1 billion. The deal came exactly a century after Jamsetji Tata, founder of the Tata Group, first proposed making steel girders for the British-run Indian railways in 1907. The colonial administrator Sir Frederick Upcott had scoffed at this idea: "Do you mean to say that Tata's propose to make steel rails to British specifications? Why, I will undertake to eat every pound of steel rail they succeed in making."<sup>119</sup> Indian newspapers discussed the Tata-Corus deal under shrill headlines, such as 'India Poised for Global Supremacy', 'The empire strikes back', and 'Global Indian Takeover'.<sup>120</sup> Sixty years after independence the colonial past still pricks national pride. But with one deal India has turned from a service-driven economy to a manufacturing behemoth. And one year later, in early 2008, the Tata Group made headlines again when buying the brands of Jaguar and Land Rover from Ford.

The wealth of the Indian economy becomes now a subject of debate in the USA. In 2004, it was Democratic candidate John Kerry who built his campaign on fears of more Americans losing jobs to India should President George W. Bush be re-elected. He promised to save American jobs from being 'bangedored'.<sup>121</sup> In May 2008, both US President George W. Bush and US Secretary of State Condoleezza Rice (partly) justified the global rise of the food prices by the increased spending capabilities of India's growing middle class. This immediately

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<sup>115</sup> Cf. [CIA Worldbook]; India's GDP based on purchasing power parity is estimated at USD 2.965 trillion for 2007.

<sup>116</sup> Cf. [Sahay 2007, ch1.2]

<sup>117</sup> [Gupta 2005]

<sup>118</sup> [Johnson 2007]

<sup>119</sup> British Colonial Administrator Sir Frederick Upcott, as quoted in [Johnson 2007]

<sup>120</sup> Cf. [Johnson 2007]

<sup>121</sup> Cf. [Guha 2007, p. 716]

prompted Indian politicians and newspapers to attack Bush, compare the food calories of an average American with those of an Indian, and demand India's right to eat. Minister of State for Commerce Jairam Ramesh said: "George Bush has never been known for his knowledge of economics. And he has just proved once again how comprehensively wrong he is. To say that the demand for food in India is causing increase in global food prices is completely wrong".<sup>122</sup>

As a matter of fact, the food and energy crisis of 2008 shows once more how economically vulnerable India is even after 61 years of independence. By mid 2008, inflation has pierced the 11-percent mark and reached its highest point in 13 years. India is spending roughly a third of the total tax revenue of 2007 on energy subsidies alone, the direct and indirect food and fertilizer subsidies are higher than budgeted, and as a result India is threatening its fiscal deficit and entire growth story.<sup>123</sup>

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<sup>122</sup> Minister of State for Commerce Jairam Ramesh, as quoted in [TOI 040508]

<sup>123</sup> Cf. [Mehra/Fitter/Rajendran 2008, p. 28]