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Director of
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India's Problems—and Prospects For Their Solution

National Intelligence Estimate

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INDIA'S PROBLEMS—AND PROSPECTS
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THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

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The Central Intelligence Agency and the intelligence organizations of the Departments of State, Treasury, and Defense.

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CONSPECTUS

India plays a leading role in Third World international politics, has detonated a nuclear device, is the world's 10th largest industrial nation, and has the largest army of any non-Communist nation. Yet it is also a very poor country, whose 642 million people have an average individual income of under \$200; it has major economic problems; and its GNP grows only a little faster than its population, which will approach one billion by the end of this century. The critical question is whether India can cope with its problems within a democratic framework.

For two years the government of former Prime Minister Indira Gandhi attempted to do so by more authoritarian means. It embarked on a series of "Emergency" measures that were intended to improve both short-run economic performance and long-run economic prospects. These included efforts to raise productivity by such steps as outlawing most labor stoppages, and to control population growth by an aggressive campaign of family planning, including government-coerced sterilization.

To counter opposition, the Prime Minister used her Emergency powers to impose censorship on the press and restrictions on political activity. Many of the leaders of parties other than her Indian National Congress who continued to oppose the government openly were imprisoned without trial—including former Deputy Prime Minister Morarji Desai. Although human rights were seriously abridged, the Congress government kept within the letter of the law by using its substantial legislative majorities to amend the written Constitution as necessary to legitimate its actions.

By late 1976 the Prime Minister believed that she was in a favorable position to obtain a democratic endorsement of her new Emergency program: the Congress had never lost a national election, foodgrain output and other economic indicators were favorable, and the disciplined Congress program seemed to her to have widespread support. She called general parliamentary elections for early 1977, ended press and political controls, and released her opponents from detention.

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The non-Communist opposition, fearing this was its last chance for survival, overcame its divergences, banded together in an unprecedented coalition, and ran only one candidate in each constituency. This coalition won a clear majority of seats in a fair election.

The new government, headed by Desai, had clearly won on an anti-Emergency appeal that included a considerable element of apprehension over the Congress government's sterilization campaign. It moved rapidly to dismantle the repressive Emergency program. Otherwise in its seven months in office it has given few signs of having—or being able to come up with—a new direction for India's domestic affairs. One reason lies in the origin of the Desai government as a coalition of competing political groups.

Principally as the result of a series of good rainfalls and resulting good crops, India faces no immediate economic crisis. But, in the longer run, bad weather will recur, labor disputes will threaten industrial productivity gain, and population growth will continue. There is little indication that the government—whether led by Desai or by his successors—will propose, let alone implement, a mobilization of India's resources adequate to overcome these problems. 25X1

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During its last years in office the Gandhi government did address itself with vigor to the overriding economic problems, including productivity and population control. But it did so only in conjunction with the adoption of authoritarian measures. During the Emergency rule, economic indicators—beyond those in the agricultural sector—were favorable, but the experiment did not last long enough to permit a confident assessment of what its long-run impact would have been. In any event, the authoritarian approach has been rejected by the voters.

India also presents other paradoxes. It is a Hindu country founded on a commitment to nonviolence, but supports a large and battle-tested military force. Its per capita daily nutrition, even with good harvests, is below minimum desirable levels, but it has a growing nuclear program. India has established the world's largest functioning democracy, and has held together and maintained the rule of law in the face of both foreign invasion and massive famine, yet it rent by basic divisions of caste, language, regional loyalties, and religion.

Long controlled by leaders who seemed to tilt their professed neutrality in favor of the USSR and against the United States, the new regime of Morarji Desai is determined to move into a more balanced

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posture, but without injury to its working relationships with the Soviets. There are few differences at the moment between the United States and India. India's problems are overwhelmingly domestic, and its challenge is to demonstrate that a genuinely democratic government can deal effectively with them. We think it is likely that India's unity will last, and that the Indians understandably will continue to seek greater world status.

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SUMMARY OF PRINCIPAL JUDGMENTS

- The government of Prime Minister Morarji Desai came to power in early 1977 at a time of relative prosperity for India's economy. Foreign exchange holdings, industrial production, and foodgrain harvests and stores were all at high or record levels. This strengthened position resulted primarily from highly favorable climatic conditions. To a lesser extent, a successful export drive and the authoritarian policies followed by former Prime Minister Indira Gandhi during her last two years in office also contributed to this improvement.
- Despite the currently strengthened position of the economy, which should ensure another two years of adequate food supplies, India continues to face basic and [redacted] economic problems over the long term. Bad monsoons will recur, labor disputes are likely to undermine recent gains in productivity, and population increases—now 2.2 percent a year—almost certainly will offset most gains in economic growth. The Indian Government is unlikely to take the necessary steps to overcome its basic economic problems, and will continue to seek food, as well as agricultural development assistance, for the foreseeable future.
- The economic policies of the Janata Party coalition that now governs India, although not fully developed, appear to be fundamentally similar to the centrist programs followed by all Indian governments before Prime Minister Gandhi declared an Emergency in 1975. These include the promotion of small-scale industry and an acknowledgment of the need to divert substantial scarce resources to the development of agriculture and irrigation, but concentration in fact on large-scale industry. The diversity of political interests represented within the governing coalition makes it unlikely that even these cautious policies will be implemented quickly and effectively.
- Prime Minister Desai is 81 but is in good health and has wide popular backing. It is possible that he could lead the Janata coalition for a full five-year term. The governing coalition, made up of five divergent political groups based primarily in northern India, is inherently unstable but probably will hold together for a full parliamentary term, especially if Desai survives.

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- A successor to Desai probably would come from the Janata or from an anti-Gandhi faction of the Indian National Congress. The most likely successors would be likely to promote policies similar to those of Desai. Leaders of the xenophobic, Hindu nationalist Jana Sangh faction within the Janata coalition and the supporters of Indira Gandhi in the Congress probably would alter existing policies, but neither group stands a realistic chance of coming to power.
- India probably will retain a democratic political system for the next several years. Among the factors likely to prevent the reemergence of authoritarianism are widespread relief at the lifting of Indira Gandhi's Emergency, the country's experience with political democracy, the tradition of noninvolvement by the military in politics, apprehension at what has happened in neighboring Pakistan, and the longtime practice and preference for weak central government in India. The aversion to authoritarian government is likely to endure for the foreseeable future unless India encounters disastrous and now unforeseen crises.

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