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## New Delhi's Delicate Balancing Act

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NEW DELHI—With hundreds of political parties, religions and languages, thousands of castes and subcastes, 3 million elected officials, 20 million government employees and 670 million voters, "there is never a dull moment in the great Indian political circus," as one newspaper here recently put it.

Today's most dazzling act—with consequences for India's survival as a pluralistic, democratic, united nation—is the perilous high-wire act of Prime Minister Manmohan Singh as he attempts to balance the conflicting demands of a high-tech knowledge-based economy and India's low-tech farm-based impoverished masses.

Lean too far to the right, by boosting India's surging middle class without fulfilling promises of "inclusive growth" for the 600 million rural and poor majority, and Singh—and his Congress Party-led coalition—risks the kind of electoral drubbing that toppled the previous government three years ago.

But lean too far to the left—by allowing leftist and Communist parties to continue blocking reform of bloated government bureaucracies, archaic labor and investment laws and subsidies for food and fuel—and India risks missing its goal of \$15 billion in annual foreign investment.

Proceed too fast, with rising inflation that recently hit a two-year high, and Indians angry over soaring food prices will exact their revenge, as they did in dealing the Congress Party stunning defeats in recent municipal and state elections.

But proceed too slow, by failing to create enough jobs for the 10 million Indians entering the labor market every year, and the country risks a potentially destabilizing "unemployment explosion" in coming decades where perhaps 30 percent of Indians—some 200 million—are jobless.

As Singh and his coalition walk this tightrope of economic development, several dangerous distractions now threaten to knock them off balance.

The country's overcrowded and crumbling roads, railroads, ports and airports are already blamed for slowing economic growth by perhaps two percentage points. But while people here celebrate the capital's new state-of-the-art subway and a network of expressways linking major cities, New Delhi lacks the hundreds of billions of dollars needed to resolve India's infrastructure crisis.

India's only hope will be cost-sharing partnerships with the private sector, such as new airport projects in New Delhi, Hyderabad and Bangalore and the \$5 billion infrastructure

fund recently launched by Citigroup, Blackstone and India's Infrastructure Development Finance Company.

The crown jewel of the Congress Party's poverty eradication program, a massive jobs program that guarantees every rural household 100 days work building roads, dams and other projects, also faces hurdles. In a country of rampant corruption, it's uncertain whether cash payments for unskilled manual labor will indeed uplift the needy or, like so many similar efforts, enrich the greedy.

Meanwhile, dozens of ethnic and tribal separatist groups across the country's remote northeast states wage decades-old rebellions against Indian rule. The bomb that greeted Singh's visit to the state of Assam this month was the latest reminder why a region rich with oil, gas and coal remains the poorest in India.

Most ominous, though, is the brutal Maoist insurgency, now active in half of India's 28 states, which Singh has called "the single biggest security challenge ever faced by our country." Last month, a day after police in the eastern state of West Bengal gunned down 14 people protesting the creation of special economic zones on rural lands, Maoists retaliated by murdering 55 police in one of the deadliest attacks of their 40-year insurgency.

Such is New Delhi's development dilemma. Do nothing, and the impoverished flock to the Maoists. But proceed with manufacturing-based economic zones, and displaced farmers flock to the Maoists.

Predictably, new rules announced this month making these zones smaller and granting more benefits to affected farmers have satisfied neither business groups nor rural activists, and the country is bracing for more Maoist attacks against industry and infrastructure.

And yet, Indians display an exuberance for the future, that, given their remarkable progress in 60 years of independence, doesn't seem so irrational. "This is a democracy, obstreperous and seemingly chaotic but effectively functional," says Krishna Rasgotra, a former Indian foreign secretary. "People are aware of their rights and will assert themselves. This is not a sign of India's decline or threatening doom, it is a sign of India's vitality."

And so while Western observers may lament the slow pace of Indian reform, democracy's greatest show on earth goes on with New Delhi moving ahead the only way it can - keeping its balance and taking one careful step at a time.

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