

*India in the Era of Economic Reforms.* Edited by JEFFERY D. SACHS, ASHUTOSH VARSHNEY, and NIRUPAM BAJPAI. New Delhi and Oxford: Oxford University Press, 2000. xxii, 312 pp. \$15.95 (paper).

This volume is an outcome of a conference on India's economic reforms held at Harvard University in December 1996. India's economic reform issues have been addressed in this volume with eight chapters. Internationally reputed economists and political scientists have contributed to both the economic and the political aspects of economic reforms in India. While the economic issues have been analyzed by commissioning five chapters, the political issues have been investigated with only two. It appears that the editors have deliberately kept the social issues out of this volume. However, social issues to a lesser degree have been integrated with the chapters dedicated to political issues.

The editors eloquently have summarized the book within a space of only nine pages under a preface reproduced for this paperback edition. Moreover, the new preface captured the major reforms introduced by the BJP-led coalition government during 1999. In this review, an attempt has been made to discuss the major reform issues under three headings: background of economic reforms and their effectiveness, major challenges of economic reforms from the viewpoint of economics and politics, and future policy lessons.

It has been observed that Indian economic policy reform was initiated on a backdrop of an astronomical fiscal deficit and a balance-of-payments crisis in mid-1991. This was due mainly to a high level of public spending and an unprecedented low level of government savings. The deficit went up by more than 8 percent of GDP. The reform process initiated in 1991 was successful in containing such a trend and eventually brought down the deficit to 6 percent in 1997–98. Other macroeconomic indicators such as inflation, foreign currency reserves, and current account deficits were also in crisis. To reverse the sustained macroeconomic crisis and to bring stability in the economy, there was no other option for the nation than to introduce economic reform measures on industry, trade, exchange rate, foreign investment, tax regimes, and the financial sector. These measures have brought revolutionary changes in the Indian economy. The economic reforms have dismantled the four decades of central economic control. Although the reform attempt was late, it was effective in arresting the evils of low (3.5–5 percent per annum) growth and high inflation regimes of last forty years. In the post-reform era, the GDP growth rate has reached to almost 7 percent per annum. In terms of other macroeconomic indicators, for example, the inflation rate came down from 17 to 6 percent and foreign currency reserves increased from a mere \$1 billion in mid-1991 to \$27.5 billion in 1999. Exports have increased substantially and the current account deficit recovered with a foreign direct investment flow reached to \$3 billion in 1997–98 as opposed to a meager \$135 million in 1991–92. While the economy has transformed from a low-growth, high-inflation era into a moderate-growth, moderate-inflation era, the editors are of the view that the post-reform macroeconomic performance could have been even better if the reform process had not been slowed down and had been expanded in other areas.

What are the challenges ahead? Challenges of economic reforms are listed below in both economic and political terms. Let us look at the economic issues first. It was observed that the center-state relation remains as the major bottleneck in sustaining economic reforms in the future. For example, some state governments have been showing reluctance in taking steps to reduce spending in utilities and remove subsidies. The current tax regimes at both center and state levels need major

restructuring, particularly in the introduction and widening of value-added taxes by the center and taxing agricultural income and other untaxed areas by the states. Labor market reform policies are not working effectively. They failed to protect workers' interests and had no significant effect on either employment or wages. The economic reform initiatives in the export sector have failed to gain further competitiveness without risking an opportunity of a sustained export growth in the future. The authors' warning on export performance came out of a survey of three major export industries: diamond cutting and polishing, garments, and software. They conclude that there is a need to expand and deepen the reform process further. While the editors successfully have commissioned investigation on major sectors of the economy, surprisingly an investigation on industrialization has been left out. This makes the investigation on economic issues incomplete.

Turning to the political issues of economic reforms, the chapters by Ashutosh Varshney and Myron Weiner are outstanding. Varshney makes a distinction between elite politics and mass politics and concludes that economic reform policies have been making slow progress due mainly to reforms' major contribution in furthering and advancing elite welfare, while keeping mass welfare relatively unchanged. Weiner's chapter refers to the successes and failures of the economic reforms under federalism and state-level politics. According to Weiner, in recent times the state-based regional forces have become politically powerful in India. The rise and success of regional forces in recent federal elections have affected the economic reform process adversely. The regional forces, for example, have been resisting the implementation of various privatization agendas of several governments at state level. Both Varshney and Weiner are of the view that it is the lack of political will at both the center and the states that has contributed to slowing down the speed of economic reforms. Moreover, bureaucratic red-taping and ethnic and religious disputes (Hindu-Muslim communal unrest) constantly have been blocking the economic reform measures geared to attaining mass welfare. Until the state governments make sincere efforts to implement reform measures, India's desire for a high growth, low inflation regime will remain elusive.

Finally, what policy lessons can one get out of this volume? The lessons for India have been presented under three major areas: China-India comparison, the East Asian crisis, and ideology versus pragmatism. Firstly, there was no doubt about the greater success and effectiveness of China's economic reforms than India's. While China's export sector, for example, has expanded astronomically (rising from \$18.1 billion in 1980 to \$148 billion in 1995), the economy-wide achievements cannot be regarded as uniform and satisfactory. For instance, inequality and poverty in China made little progress since the reform began in the early 1980s. A recent study suggests that "China experienced increasingly more disequalising and less poverty-alleviating growth" (Khan Azizur Rahman and Carl Riskin, *Inequality and Poverty in China in the Age of Globalisation* [Oxford: Oxford University Press, 2001], p. 8). When taking lessons from China, one must also keep in mind that there is a huge political dissimilarity between these two most populous nations on earth. Secondly, one of the major lessons that came out of the East Asian crisis is that short-term capital inflows work as a destructive force for a partly liberalized developing economy. In this volume, a list of lessons for effective macroeconomic management in the era of economic reforms has been presented on pages 9–11. This list can be of high value to the Indian policymakers. Historically, India's limited reliance on short-term inflows of capital made the economy protected from the East Asia-style crisis. Thirdly, perhaps the most important lessons for India can be learned from the discussion on ideology versus

pragmatism. The inclusion of this piece in this volume is an original contribution towards any work on economic reform issues. This is one of the most important policy debates the players in economic reforms must understand clearly, particularly in the context of a developing country like India. Varshney's chapter raised an excellent debate on this issue.

Overall, in presenting economic reform issues and taking both economics and politics into consideration, this volume offers a unique opportunity for the readers to understand clearly such a complex subject. The readers representing development economics and related fields (such as South Asian studies, business studies, and politics), as well as those involved in policy formation in developing countries in general and in India in particular will benefit immensely out of this volume. The volume has successfully integrated the debate on economic and political issues of economic reforms in India and is a welcome addition to India's development literature. However, this cannot be said about the social issues. Implications of economic reforms on social issues such as education, health, corruption, and law and order could have been investigated side by side with economic and political issues. In this respect, this volume certainly lost some credibility.

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*Das Selbstbestimmungsrecht der Sri Lanka-Tamilen zwischen Sezession und Integration* (The law of self-determination of the Sri Lankan Tamils between secession and integration). By FRANK-FLORIAN SEIFERT. Beiträge zur Südasiensforschung, Band 187. Stuttgart: Franz Steiner Verlag, 2000. 394 pp.

Do peoples have the legal right of self-determination? This key question underpins Frank-Florian Seifert's overwhelmingly detailed study of the Sri Lankan Tamils. The book, based on his doctoral work in international law, is divided into five chapters. It starts by giving a broad introduction into the field, as well as a chronological record of the Tamil movement. The second part outlines the current debate on the right of self-determination, again by starting with its historical record and then by introducing its key concepts, most prominently the specifications on the right of self-determination in the UN Charter. Neither the right of limited internal self-determination provided by the Sri Lankan Constitution nor regional (SAARC) and bilateral (Indian–Sri Lankan) agreements clarify the legal basis of the Tamil movement's demands. The Liberation Tigers of Tamil Eelam (LTTE)'s claim is based on the Leninist concept of self-determination, which explicitly acknowledges the right of a people for secession and creation of an independent nation state. All concepts face the general dilemma that the right of self-determination is a genuinely political issue and hardly laid down by international law. No consensus exists on a general definition of the legal entities at stake. Whether the Sri Lankan Tamils legally constitute a nation and as such, are subject to public international law or not, is highly disputed among legal experts. Seifert affirms the Tamils being a nation by referring to the ethnic conceptualization of the term which is defined though cultural, linguistic, and demographic homogeneity.

The core of the analysis is presented in chapters 3 and 4. Both chapters deal with the external dimension of the right of self-determination ("äußere Aspekte des