

COVER STORY

Old India: Millions of Indians continue to live in poverty in slums like this one in Mumbai.



A Tale of Two Indias

To get to 15-year-old Vikas Sharma's home in Bangalore, you have to travel along a narrow dusty lane, then climb a steep flight of stairs that's draped with a neighbor's drying laundry. Inside the tiny apartment, the bedroom Vikas shares with his younger brother is so small there's barely room for the bed and the table where the two boys study.

It may sound sparse, but the Sharma family has already come a long way. Seven years ago, they moved to Bangalore—a rapidly growing city often referred to as India's "Silicon Valley"—from a tiny impoverished village in the northern state of Bihar, where there was no running water or reliable electricity. There was also no English-language school.

"My parents wanted us to join an English school and make our future in the big city," explains Vikas. Most Indians consider mastery of English, used in business and

government, to be essential for success.

The Sharma family is among the millions of Indians who are moving out of poverty and into the middle class, as India's economy continues to soar. They represent a bridge between two vastly different Indias: The India they've left behind is largely agricultural, uneducated, and very poor; the new India they're grasping at has a vibrant economy with an expanding high-tech sector and is rapidly becoming a global economic power.

"You have striking growth and progress and terrible poverty and lack of progress in the same country," says Isobel Coleman of the Council on Foreign Relations.

World's Largest Democracy

Modern India was born in 1947, when it gained independence from its longtime colonial ruler, Great Britain. (The British partitioned the country into Hindu-majority India and the Muslim country of Pakistan.)

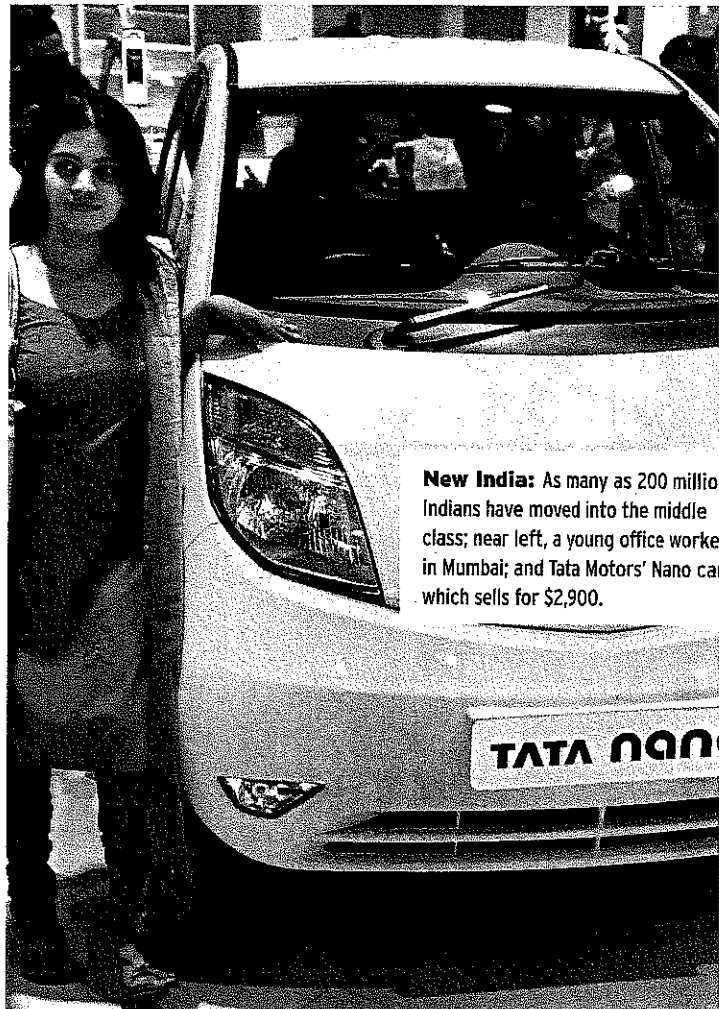
For more than four decades after independence, India's economy was heavily controlled by its socialist government, which meant little progress was made in tackling the country's crippling poverty.

But in 1991, the government began turning away from socialism, loosening regulations, opening India to foreign investment, and adopting other free-market practices. The economy took off. In the 20 years since, the ranks of the middle class have more than doubled, and India has started playing a much larger role on the global stage.

"In Asia and around the world, India is not simply emerging," said President Obama during his trip to India in November. "India has emerged."

In recognition of India's rise, Obama pledged U.S. support for India's bid for a permanent seat on the United Nations Security Council.

With a population of 1.2 billion, India is the world's second-largest country, after



New India: As many as 200 million Indians have moved into the middle class; near left, a young office worker in Mumbai; and Tata Motors' Nano car, which sells for \$2,900.

One of the fastest-growing countries in the world, India is emerging as a major global power. But huge challenges remain.

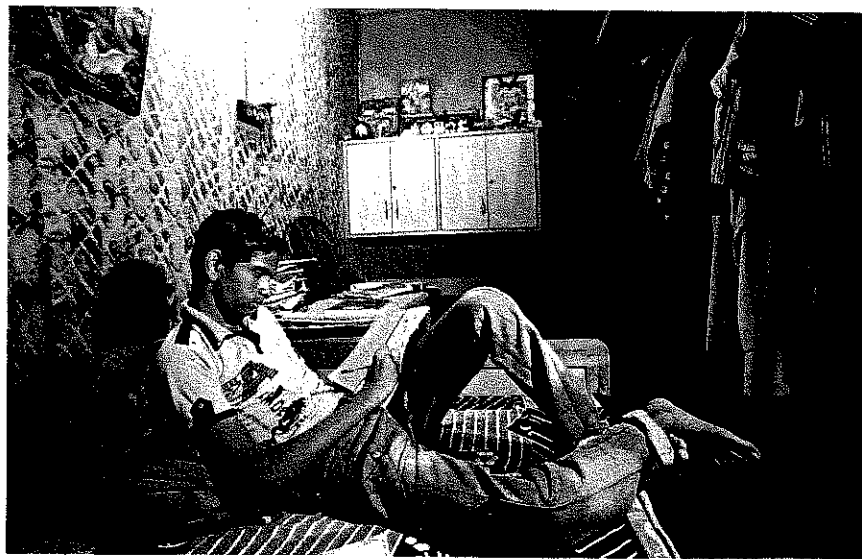
BY PATRICIA SMITH

China, and the world's largest democracy. Indeed, India is now seen by many as the other rising global power—along with China—that the United States will have to compete with in the decades ahead.

“If it looks like China is a decade ahead of India, that’s because it is: China started its reforms in 1979; India only started reforming in 1991,” says Sebastian Mallaby of the Council on Foreign Relations. “You’d expect that advantage to erode as the years go on.”

Living on \$2 a Day

Another reason India’s rise has been slower than China’s is its democratic, but chaotic, system of government. China’s authoritarian regime can pretty much move mountains to make way for new factories or power plants or cities as it sees fit, without



Vikas Sharma, 15, doing his homework at home in Bangalore. Like millions of other Indians, his parents moved from the countryside to the city to give their kids a chance to participate in India’s booming economy and join the growing ranks of the middle class.

With reporting by Sheryl Gay Stolberg and Jim Yardley of The New York Times.

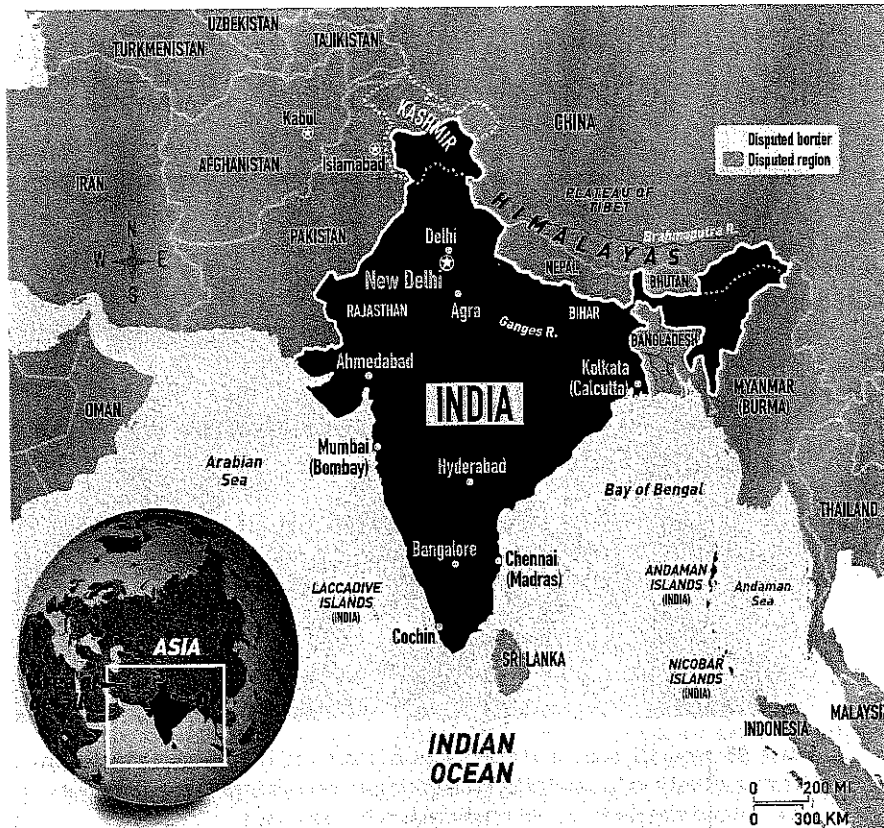
Global Influence: In New Delhi, street hawkers sell the Indian edition of *Vogue* (near right) and a cow wanders past a McDonald's.



India at a Glance A look at India today, compared to the U.S.

	India	U.S.
Population	1.2 billion	309 million
Per capita G.D.P.	\$3,200	\$46,000
Literacy rate	61%	99%
Average number of years a child spends in school	10 years	16 years
Number of cellphones	670 million	270 million
Internet users	81 million	231 million

SOURCE: WORLD FACTBOOK 2010 (C.I.A.)

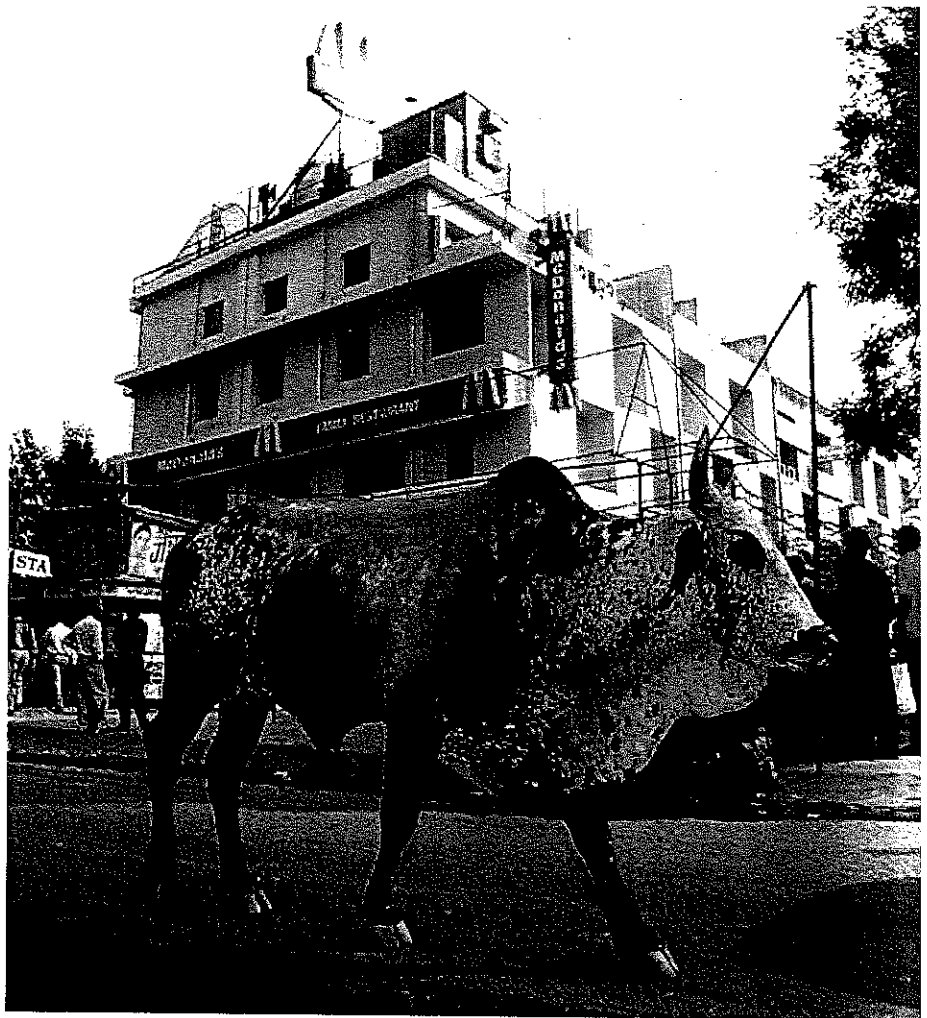
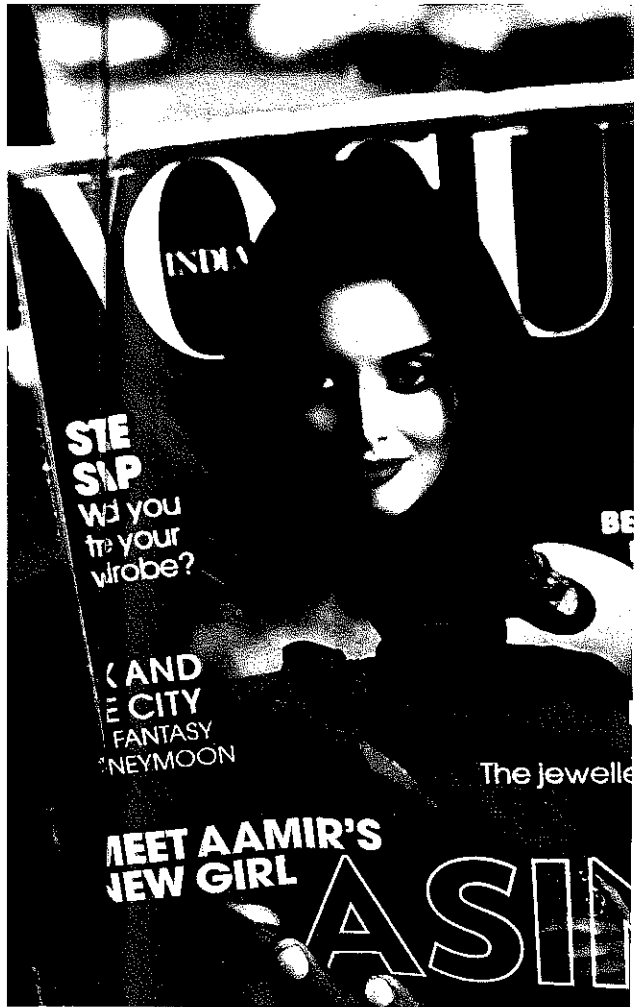


having to worry about opposition—China’s people know how dangerous that can be. But in India, as in other democracies, competing interests and politics slow the pace of change—or sometimes block it altogether.

More than a third of Indians are illiterate and India’s education system is stymied by corruption and incompetence. The country’s infrastructure—its roads, bridges, airports and railroads—needs drastic improvement. To keep pace with the millions of Indian who are migrating to cities in search of better lives—590 million by 2030, according to the McKinsey Global Institute—India should be building the equivalent of a city the size of Chicago every year. And that kind of development just isn’t happening.

At the same time, India remains a country of extreme poverty. About 40 percent of Indians live on less than \$1.25 a day, an almost 70 percent live on \$2 a day or less, according to the World Bank.

Another challenge is India’s caste system which goes back to the ancient origins of Hinduism, the country’s majority religion. The rules governing caste are brutally simple. If you are born into a high caste like the



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ZAGGARY CANEPARI, THE NEW YORK TIMES/REDUX (CHILD SELLING MAGAZINES); DOUGLAS E. CURRAN/APF VIA NEWS.COM (COW)

priestly caste, you can be a priest or do other kinds of white-collar work. Being born into a lower caste might relegate you to life as a carpenter or a toilet cleaner. India's constitution outlawed caste discrimination in 1950, and its Congress later set quotas for members of lower castes in schools, state-owned firms, and government ministries. But caste discrimination persists, especially in rural areas.

Despite all these challenges, India continues to grow at an impressive pace—the only major economy growing faster is China. By 2020, India's middle class will be 500 million strong, according to McKinsey.

Outsourcing U.S. Jobs

"When you grow at 9 percent a year, year after year, you pull tens of millions of people out of poverty," says Sadanand Dhume, an Indian journalist who is writing a book on the country's middle class.

The change has been striking. There are thousands more cars on the road every week, and now an Indian company is selling a tiny car called the Nano for just \$2,900. In big cities, construction is everywhere, and

shopping malls are opening everywhere. "Some of the statistics are mind-boggling," says Ulrich Bartsch, the senior economist in the World Bank's India office. "From basically zero 10 years ago, India now has 500 million cellphones. You can go to rural areas in the middle of nowhere—the desert in Rajasthan—and your BlackBerry works."

Many international companies are setting up factories and offices in India to take advantage of its large pool of English speakers and comparatively low wages. (American companies operating in India is the premise for the NBC sitcom *Outsourced*, about a Kansas City company that moves most of its jobs to India and sends an American to run its operation.)

American tech companies have been operating call centers in India for years. Now companies like Microsoft and Yahoo are also setting up research facilities in India, with Indians doing the kind of advanced technical work that until recently was done in the U.S.

The Sharma family has directly benefited from the country's rapid growth. Vikas's father, who builds furniture for new homes,

dropped out of school when he was young. His mother, who never went to school, now works as a seamstress in a garment factory. Neither speaks English. They migrated to Bangalore in the hope that educating their children would provide a way out of poverty.

"We came to Bangalore to change our lives," says Vikas's mother.

Both parents are proud that they've never missed a payment for their sons' school. And no one goes hungry, even if there are days when they can afford only lentils and rice.

Vikas, who is in ninth grade, is doing his part. He studies hard and often gets the highest grades in his class. In particular, he excels at biology. He hopes to be a doctor someday.

"I want to work hard and make my parents proud," he says.

His drive for success is part of what is pulling India toward prosperity.

"There's still a very large bad-news element in India, but the good-news part of the picture has been growing over time," says Dhume, the journalist. "The consensus view over the past 10 years has certainly shifted more and more toward the people who say yes, India *can* overcome its problems." ●

1947

The Birth of India & Pakistan

Mohandas Gandhi led India to independence 65 years ago, with Muslims breaking away to form Pakistan. Today, the region is one of the most dynamic—and dangerous—in the world.

BY PETER EDIDIN

Mohandas Gandhi (1869-1948), India's revolutionary leader; (top, right) Muslims fleeing India for Pakistan, Sept. 1947

When Mohandas Gandhi was 24, in 1893, he left India to practice law in South Africa. Riding the train there one day with a first-class ticket in hand, he was asked to move to a third-class car to make room for a white passenger. When he refused, he was thrown off the train.

Gandhi would later describe that encounter as his “moment of truth,” when he decided he would dedicate his life to fighting injustice. He went on to stage many other acts of civil disobedience (all nonviolent) in India to protest British colonial rule. His efforts eventually helped force the British to give up their prized colony, which gained its independence and was partitioned into India and Pakistan in August 1947.

“It was a moment of celebration,” says Akbar Ahmed of American University in Washington, D.C., even if today, “many of the hopes and aspirations that many people had in the subcontinent have not been fulfilled.”

The beginning of British rule in India is usually dated to 1757, when an army assembled by the British East India Company (British investors who wanted to trade with India) defeated the governor of Bengal in a battle near Calcutta.

This private company, with its own troops and powers of taxation, soon became the dominant force on a subcontinent of 400 million people. (The company did so well that its money, some historians have argued, financed the Industrial Revolution in England.)

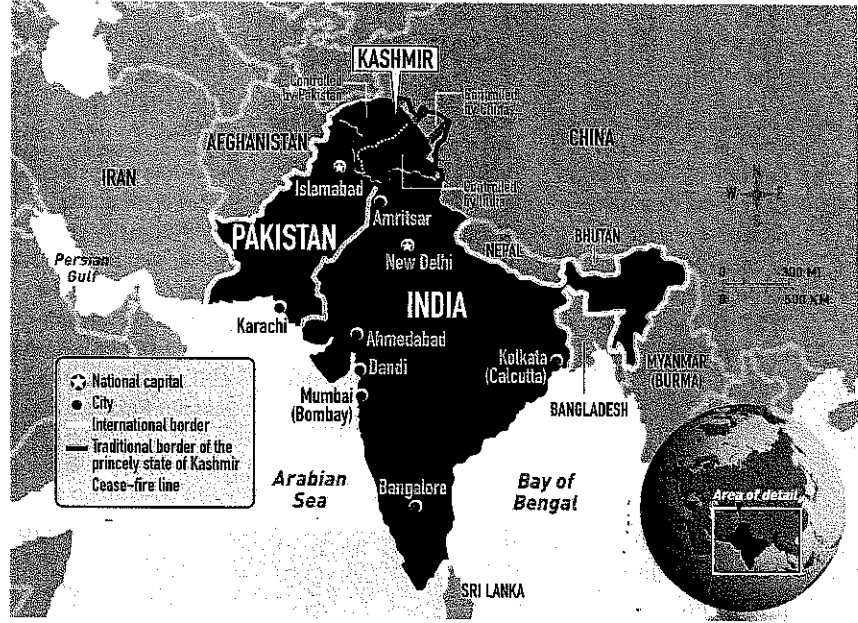
The East India Company was a brutal

and often racist overseer whose indifference helped create and exacerbate famines in India in the 1770s and '80s.

British India

But colonial rule also brought benefits, especially after the East India Company was pushed aside and India became an official British colony in 1858. The British introduced not only the railroad and the telegraph, but also the English language, which gave educated Indians, who spoke many different languages, a common means of communication.

Equally significant, the British legal tradition introduced Western ideas of individual and social rights. In fact, the leaders of Indian independence—Gandhi, Jawaharlal Nehru (India's first prime minister) and Mohammad



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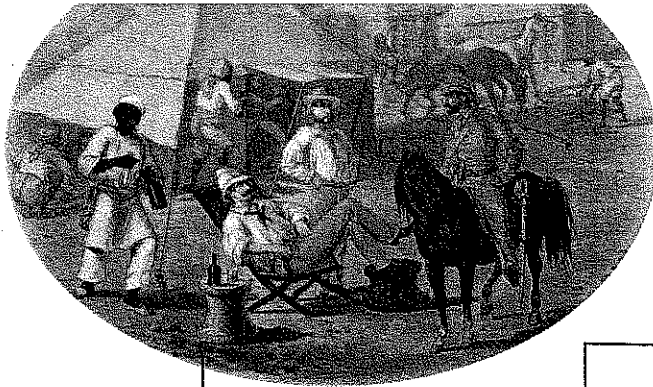
DINHODIA PHOTOS/GETTY IMAGES (GANDHI); AP IMAGES (TRAIN)

Ali Jinnah (Pakistan's first leader)—all trained as lawyers in London. Although there had been periodic rebellions against British rule, it was not till after World War I (1914-18) that the drive for independence gained traction. During the war, more than a million Indians served the British as soldiers or laborers, and the Raj (as the British administration in India was known) promised self-government after the war. But in 1919, Britain adopted the Rowlatt Acts, giving the government emergency powers to quell public unrest, including the right to imprison anyone deemed suspicious. It seemed to be a betrayal of promises of self-rule, and protests broke out. This was the moment when Gandhi, who had returned from South Africa in

1914, emerged as a national figure. After 21 years in South Africa fighting prejudice against Indian workers there, he founded a religious commune near Ahmedabad. **'Non-cooperation'** Gandhi was unlike any political leader India had ever seen. He looked like a simple Hindu holy man in his white loincloth and shawl of homespun cotton; he was a vegetarian and espoused nonviolence. But he was a powerful speaker whose quiet delivery before even the biggest crowds made people feel he was addressing them individually. It was Gandhi who transformed the drive for Indian independence into a mass movement. In response to the Rowlatt Acts, he called for a day of protest in which businesses shut down throughout the country.

The British arrested Gandhi and other protest leaders, leading to more demonstrations. At one, on April 13, 1919, in Amritsar, British forces fired on the unarmed crowd, killing more than 400. The massacre galvanized Indians, and the leader they rallied around was Gandhi. They began to call him Mahatma ("great soul" in Sanskrit). Gandhi called for a campaign of "non-cooperation" with the British. Indian children were withdrawn from school, Indians in public office resigned, and Indians boycotted the legal system. Seated crowds, refusing to budge even when beaten by police, made streets impassable. (Blacks in the American *Peter Edidin is a former editor at The Times. Additional reporting by Veronica Majerol.*

TIMELINE India & Pakistan



1858 British Colony

The India Act transfers power from the British East India Company—a private company that became a dominant force in India after 1757—to the British government.

1919-30 Gandhi's Rise

After Britain's 1919 violent crackdown on protesters, Gandhi launches a nonviolent campaign that includes sit-ins and boycotts. In 1930, his National Congress party declares independence the goal.

1940 Muslims v. Hindus

Amid growing tensions between Muslims and Hindus, Muslim leader Mohammad Ali Jinnah calls for the partition of British India into two nations: a Hindu India and a Muslim Pakistan.

1947 Independence

Financially depleted after WWII, Britain lets its colony go; Pakistan and then India become independent nations. More than 10 million Muslims and Hindus flee, Muslims to Pakistan and Hindus to India.

1947-71 Kashmir & Bangladesh

In 1947, war breaks out between the two countries over Kashmir; a second war over Kashmir is fought in 1965. In 1971, East Pakistan becomes Bangladesh after a bloody fight for independence.

South would later copy Gandhi's methods of nonviolent protest during the civil rights movement.)

In 1930, the National Congress (Gandhi's political party) declared the goal of independence from Britain. Gandhi called upon people to refuse to pay the taxes that funded the colonial administration—including the tax on the production and sale of salt, which led to the Great Salt March, a 240-mile march

to the sea, ending with Indians producing their own salt to avoid paying tax.

Again Gandhi was arrested, but tens of thousands of Indians followed his example, making salt at the seaside and submitting to beatings and arrests. The mass demonstrations that followed were a public relations nightmare for the British, who were



President Obama with Prime Minister Manmohan Singh of India at a Southeast Asia summit in Indonesia last November

forced to release Gandhi in 1931.

When World War II began, Gandhi and Nehru, his longtime political ally, decided not to support the war unless India was granted immediate independence. Britain refused, and Gandhi began a "Quit India" campaign. He was quickly arrested along with as many as 100,000 others, short-circuiting the protests.

Nonetheless, when the war ended in 1945, a financially depleted Britain had neither the resources nor the will to maintain rule over India.

Partition

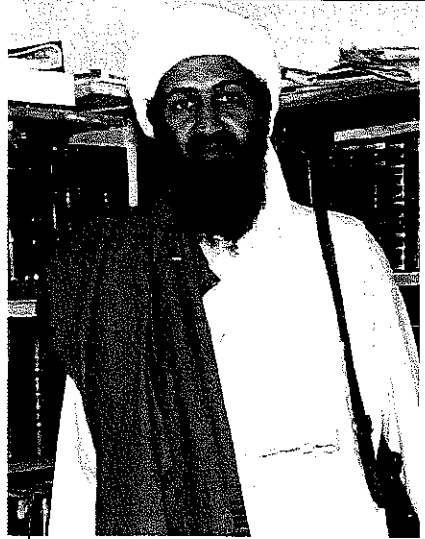
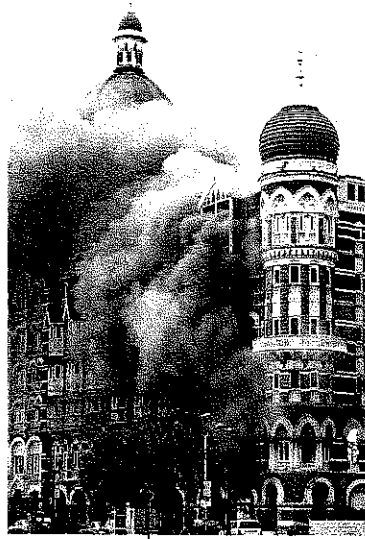
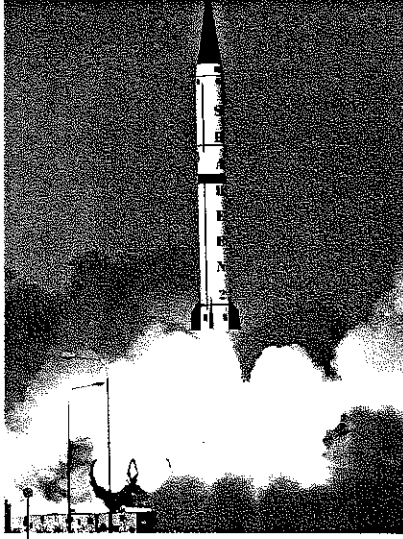
But what would take Britain's place? In addition to 240 million Hindus, India had 90 million Muslims who felt ignored by the Hindu-dominated political leadership. Mohammad Ali Jinnah, who headed the Muslim League,

threatened insurrection if Muslims were denied their own state, but Gandhi adamantly opposed partition.

The British established an interim government in 1946, with Nehru as prime minister, but throughout that year, events on the ground pushed Muslims and Hindus apart. They had lived together for centuries, but now,

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1998
Nuclear Powers
India and Pakistan are revealed to be nuclear powers, prompting the U.S. and other nations to impose sanctions on both countries.

2001
9/11 Attacks
After the Sept. 11, 2001, terrorist attacks on the U.S., Pakistan agrees to help the U.S. fight Al Qaeda and dismantle the Taliban in neighboring Afghanistan.

2008
Suicide Attack
India blames Pakistani militants for a suicide bombing in Mumbai that kills 174 people.

2011
Bin Laden Killed
Relations between the U.S. and Pakistan hit a low point in May, when American Special Forces kill Osama bin Laden, the mastermind of the 9/11 attacks. He was found hiding not far from Pakistan's capital, Islamabad.

2012
Booming India
India, a key U.S. trading partner, is emerging as a global power with one of the fastest-growing economies in the world.

often egged on by their leaders, they began to riot and kill each other.

In 1947, Lord Mountbatten, the last British viceroy (the top official in India) pushed for immediate independence and partition. In July, the British Parliament agreed, and on Aug. 14 and 15, 1947, Pakistan and then India became independent nations.

Despite Gandhi's vision of peace, things didn't work out that way. Millions of Hindus immediately fled Pakistan for India, as millions of Muslims fled India for Pakistan (though many more stayed and remain today). More than 10 million people became refugees, and a brutal cycle of killing and revenge-killing claimed as many as 1 million lives. On Jan. 30, 1948, the violence claimed Gandhi, who was shot to death by a Hindu fanatic upset by Gandhi's tolerance of Muslims.

In the years since partition, the two countries have faced different

challenges. Though India, with a population of 1.2 billion people, has transformed itself into a major economic power, millions still live in poverty and religious violence continues. Pakistan, which became a Muslim state, has been wracked by political instability and Islamic extremism.

The U.S. & the Region

Relations between the two countries—both U.S. allies—have been marked by hostility, leading many world leaders, including President Obama, to describe the region as the most dangerous place in the world. India and Pakistan have fought three wars, two over the disputed region of Kashmir, which both claim. Both countries are nuclear-armed and have come close to a nuclear confrontation. After a period of calm, tensions between the two countries have run high since 2008, when terrorist attacks linked to a Pakistani militant

group killed 150 people in Mumbai, India's most populous city.

To understand why this region is so important to the U.S., just take a look at the map on p. 17: The U.S. has been relying on Pakistan to help in the war in Afghanistan next door, and has been keeping a close eye on Iran, which has become a nuclear threat in recent years. The U.S. also has vital economic interests in India, a key trading partner and one of the fastest-growing economies, and also in neighboring China, now the world's second-largest economy.

President Obama summed up America's stake in the region, and Asia in general, during a recent trip to Australia.

"With most of the world's nuclear powers and some half of humanity," he said, "Asia will largely define whether the century ahead will be marked by conflict or cooperation, needless suffering or human progress." •

MARGARET BOURKE-WHITE/TIME & LIFE PICTURES/GETTY IMAGES (TIMELINE: 1947); AP/GETTY IMAGES (TIMELINE: 1998); SAUL LOEB/GETTY IMAGES (OBAMA); HULTON ARCHIVE/GETTY IMAGES (TIMELINE: 1959); NY DAILY NEWS ARCHIVE VIA GETTY IMAGES (TIMELINE: 1919-30); INDIA TODAY GROUP/GETTY IMAGES (TIMELINE: 2008); AAR/SIPA/NEWS.COM (TIMELINE: 2011)