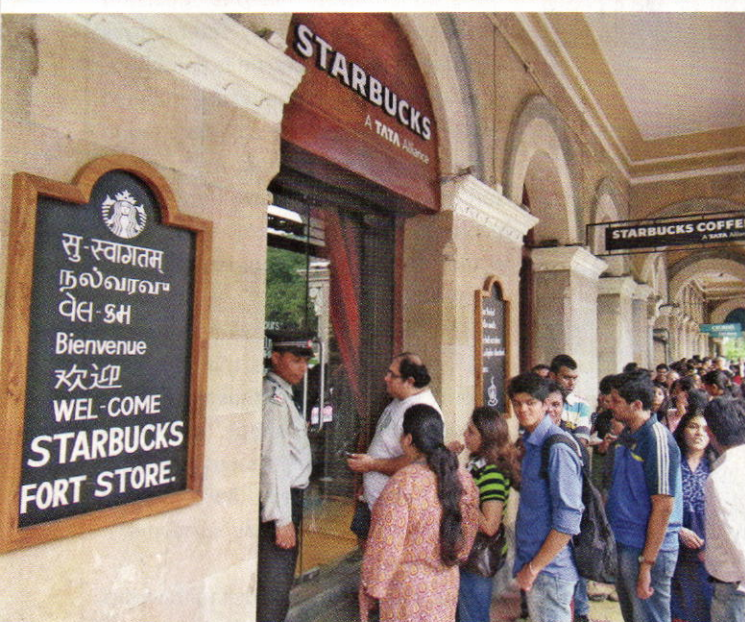


INDIA

AT A CROSSROADS

While the world's biggest democracy is still a developing nation, the economy is booming and millions are entering the middle class

BY PATRICIA SMITH



New India: (clockwise from top left) the first Starbucks in Mumbai; the Bombay Stock Exchange; shopping at a Mumbai mall; software engineers at the India Institute of Technology in Mumbai.



▶ **WATCH THE VIDEO**
Rags to Riches: Ashok Khade's Story
WWW.UPFRONTMAGAZINE.COM

CLOCKWISE FROM TOP LEFT: KYODO/AP PHOTO; SAJJAD HUSSAIN/AP/GETTY IMAGES; ABHIJIT BHATLEKAR/BLOOMBERG NEWS; PUNIT PARANJPE/GETTY IMAGES. OPPOSITE PAGE: RAFIQ MAQBOOL/AP PHOTO

On his barefoot trudge to school in the 1960s, a young Ashok Khade passed inescapable reminders of his low status: the well from which he was not allowed to drink; the temple where he was not permitted to worship.

At school, he took his place on the floor in a part of the classroom built a step lower than the rest. Untouchables like Khade, considered spiritually and physically unclean, could not be permitted to pollute their upper-caste classmates and neighbors.

But when Khade returned recently to his childhood village in the southern state of Maharashtra—in a silver chauffeur-driven BMW—he had a very different experience. Village leaders rushed to greet him, and he paid his respects at the temple, which he had paid to rebuild.

The untouchable boy had become golden, thanks to the newest god in the Indian pantheon: money.

As the founder of a successful offshore oil-rig engineering company, Khade is part of India's growing class of millionaires. But he's also a member of the Dalit caste, the 200 million so-called untouchables who occupy the very lowest rung in Hinduism's social hierarchy. "I've gone from village to palace," he says.

Rising Global Powerhouse

Khade's journey from son of an illiterate cobbler to wealthy businessman reflects India's journey from a desperately poor country just a few decades ago to a rising global powerhouse. In the last 20 years, India's economy has boomed, growing for much of the last decade at about 9 percent a year and pulling millions out of poverty.

But at the same time, millions of people remain stuck in the old India: a place that is largely agricultural, uneducated, and very poor. A third of the population lives on less than \$1.25 per day and almost 70 percent make only

\$2 a day, according to the World Bank.

"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.

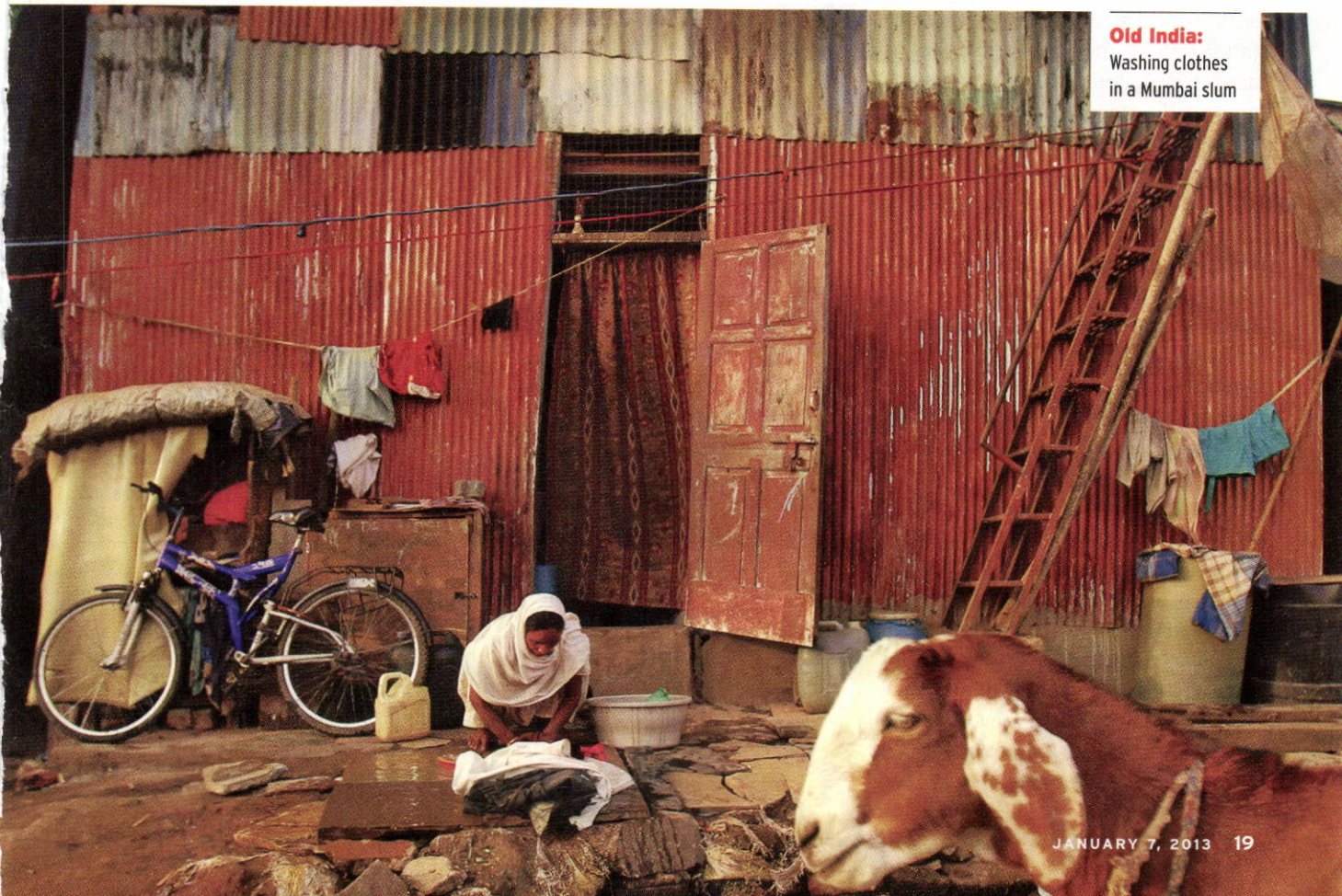
Modern India was born in 1947, when it gained independence from its longtime colonial ruler, Great Britain. (The British partitioned the country into Hindu-majority India and the Muslim country of Pakistan.)

For more than four decades after independence, India's economy was heavily controlled by its socialist government, and 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, and in the two decades since, the ranks of the middle class have more than doubled.

With a population of 1.2 billion, India

Old India:
Washing clothes
in a Mumbai slum





politics slow the pace of change—or sometimes block it altogether.

One of India's great strengths, however, is the youth of its population. India now has about 600 million people who are younger than 25, and nearly 70 percent of its population is under 40. In absolute numbers, no other country has such a favorable demographic picture; indeed, much of the developed world, including the U.S. and China, are struggling with aging populations.

By 2020, analysts say India will have 12 percent of the world's college graduates. That will be more than the United States (with 11 percent), and second only to China, which will have a staggering 29 percent. These graduates, their innovations, and their patents will be the main drivers of the knowledge economy of the future. Polls consistently show young Indians are overwhelmingly optimistic about their future.

Economists say that aided by the potential of all these young workers, India could clock economic growth of 7 to 9 percent

is the world's second-largest country (after 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. India hasn't risen as quickly as China, but it's catching up fast.

"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."

600 Million Young People

Another reason India's rise has been slower than China's is its democratic system of government. China's authoritarian regime can literally move mountains to make way for new factories or power plants as it sees fit, without having to worry about opposition. But in India, as in other democracies, competing interests and



Strong allies: President Obama and Indian Prime Minister Manmohan Singh

India has lingering problems like bad roads, illiteracy, and the legacy of caste.

until 2030, possibly wiping out extreme poverty in India as we know it today.

Young Indians are already having a big impact. They grew up during a time when foreign brands like Coca-Cola, Suzuki, and Levi's became touchstones across the country.

Last year, the government began allowing foreign retailers like Nike and Gap to open stores in India. (Stores selling just one brand had long been banned by policies left over from the country's socialist past.) In October, the first of 50 Starbucks planned for India opened in Mumbai. In addition to coffee, the stores offer free Wi-Fi.

The store is a big hit with young Indians like 15-year-old Niti Majethia.

"My whole school has just rushed to Starbucks; it's such a hype," she says. "We have this thing about American restaurants: Whatever new thing opens, we just go there."

Niti, a 9th grader at RBK International Academy who wants to be a writer, sees a lot of changes. It's not just foreign companies coming to India; more Indians are traveling and studying abroad.

"People have become so open-minded now, and the economy is growing and growing," she says.

Microsoft & Yahoo

Niti's generation is eager to try foreign brands and shopping experiences. Many young Indians already spend their free time at Western-style malls like the new P&M mall in the northeastern city of Patna, where they try on Benetton T-shirts, eat Domino's pizza, and watch movies in a Mexican-owned theater chain, Cinopolis.

Aakash Singh, a 20-year-old college student in Patna, summed up his generation's attitude toward foreign retailers this way: "Absolutely, they should come. The country will benefit."

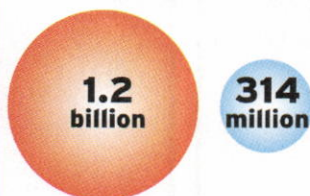
Many international companies have set up factories and offices in India to take advantage of its large pool of English speakers and comparatively low wages. American tech companies have been operating call centers in India for years. Now, companies like Microsoft and Yahoo are also setting up research facilities, with Indians doing the kind of advanced technical work that until recently was done only in the U.S.

The "outsourcing" of American jobs to rising nations like India and China remains a big issue in the U.S. and

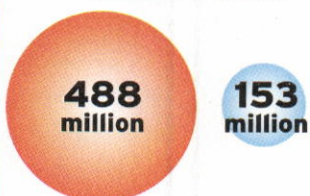
Side by Side

India | U.S.

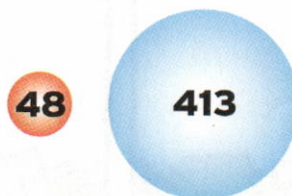
POPULATION



LABOR FORCE



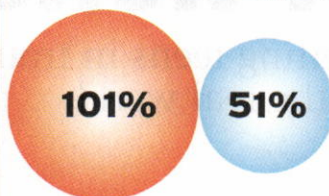
BILLIONAIRES



PER CAPITA GDP



GDP GROWTH 2000-2011



SOURCES: THE WORLD FACTBOOK 2012 (C.I.A.), THE WORLD FACTBOOK 2001 (C.I.A.), FORBES

came up repeatedly during the 2012 election. But President Obama is eager to strengthen ties with India, already an important U.S. ally and trading partner, in the hopes that it could serve as a regional counterweight to China.

However, despite the blinding progress,

India still has much to overcome as it tries to leave the Third World behind. The country's infrastructure—its roads, bridges, airports, and railroads—needs a complete overhaul. India leads the world in traffic fatalities, and a startling number of the victims are schoolchildren.

India is also hampered by the caste system, which dates back to the ancient origins of Hinduism, the country's majority religion. 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. Success stories like Ashok Khade, the untouchable-turned-millionaire, are still the exception rather than the rule.

One-Third Illiterate

More than a third of Indians are illiterate, and India's education system is stymied by corruption and incompetence. India's government-run schools have long been considered inadequate. Now, economic growth is enabling an increasing number of poor parents to send their children to low-cost private schools in hopes of helping them escape poverty. In Mumbai, so many parents have pulled their children out of government schools that officials have started renting out empty classrooms.

"There is not much teaching that happens in the government schools," says Raju Bhosla, whose children attend a low-cost private school in Hyderabad. "I never even thought about putting my kids in government schools."

That kind of determination is part of what is pulling India forward.

"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 Sadanand Dhume of the American Enterprise Institute in Washington. "The consensus . . . has certainly shifted more and more toward the people who say yes, India can overcome its problems." ●

With reporting by Lydia Polgreen, Vikas Bajaj, and Jim Yardley of The New York Times