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India under Narendra Modi: A Midterm Appraisal of the BJP Government

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On 26 May 2016, exactly two years since India's Prime Minister Narendra Modi assumed office, ISAS hosted a panel of distinguished Indian speakers on the theme, India under Modi: A Mid-Term Appraisal. For the Bharatiya Janata Party (BJP), the sixteenth general elections marked its emergence as a national party, giving the BJP a clear majority and a strong mandate to deliver inclusive development and good governance – two of its stated priorities. Taking over after 10 years of Congress-led coalition governments, the expectations of change were sky-high. The momentum and energy generated by the election, and captured in the persona of Narendra Modi himself, warranted a serious assessment of the achievements of a government two years into the job. Covering a wide spectrum of topics, across politics, governance, the economy and foreign policy, the panel brought out the nuances and challenges of how to assess change, taking into account the perceived stalemate of previous decades, and what to use as its benchmark. Should it be the pace or quality of change measured in terms of policy and output; effectiveness and impact captured through socio-

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economic indices; the strengthening and weakening of institutions or the intangibles of reviving qualities such as professionalism, integrity and civic consciousness.

Moderated by the well-known TV commentator and interviewer, Mr Karan Thapar, the panel consisted of Congress Member of Parliament, Dr Shashi Tharoor; former Comptroller and Auditor General of India Mr Vinod Rai; Professor PratapBhanu Mehta of the Centre for Policy Research; senior journalist Mr Ashok Malik, and senior economist Dr Surjit Bhalla.

In his opening comments, ISAS Chairman Ambassador Gopinath Pillai alerted the audience to the tremendous amount of literature, speeches, articles that had been issued on the second anniversary of the Narendra Modi government. As an opening thought, he asked what ought to be the benchmark of comparison – should it be Narendra Modi compared with past governments, with the promises made by the BJP during its election campaign or, with the government's last year? This he opined, was not sufficient. Rather the record of the current government should be scrutinised in terms of what the country needs.

On Politics

Opening the first round on politics, Karan Thapar asked MP Shashi Tharoor whether there was an underlying logic or theme connecting various events that had punctuated Indian politics recently, including *GharWapsi*, *Love Jihad*, *the Beef Ban*. Tharoor posited all were overt manifestations of Hindu chauvinism embedded in the BJP which, after the elections had been given a free rein. He warned that the BJP risked being derailed from its focus on development by a public narrative focused on a politics of polarisation, and that there was a danger of it becoming a repeated strategy, whipping up such issues before each state election as a way of winning Hindu majority votes.

In a similar vein, the next question to PratapBhanu Mehta, referred to an article published on 16 February 2016 in which he had argued that the current government wanted to crush dissent, crush thinking. Would he stand by this assessment of the government encouraging intolerance? Mehta replied that his article need not necessarily be read as a 100 per cent description but rather as a warning. Unlike Tharoor however, Mehta felt these incidents were not driven by electoral compulsions but reflected something deeper, a DNA of thinking in majoritarian terms. In his view the number one challenge was the institutional crisis facing

the country, the fact that institutions were failing to deliver and to generate public trust and that this had not changed in the last 2 years. “Institutional regeneration” as he put it, was not happening.

Turning to Ashok Mallik, Thapar raised another issue that had burst on to the political agenda – the *Bharat Mata ki Jai* controversy. Was this another example of majoritarian preferences being imposed on the wider population? In Mallik’s analysis right-wing traditionalists of the BJP rested on 3 constituencies: those arguing for sensible economics, those in favour of a robust foreign policy and those focused on identity issues. While Modi may have chosen to focus on development, this did not necessarily reflect the view of all constituencies within the party. Rather there were sections within the party who interpreted the 2014 victory in terms of identity issues, in fact over-reading “the *Hindu-ness* of the 2014 mandate”. While these sections had produced a lot of noise they were also having to deal with an opposition that was constantly raking up the issue of intolerance. This was leading towards the impression of there being a civil war, something that was not in fact reality on the ground.

Thapar referred to an article written by the US-based academic, Ashutosh Varshney in which he claimed that while Indian democracy was successful at conducting elections, it had not been very good at protecting liberal freedoms between elections. Asking Surjit Bhalla whether this was a fair depiction not just of the last elections and subsequent government, but over more than fifty years of Indian democracy, Bhalla replied that divisiveness peaks during elections and then soon after disappears – this is something not radically different from previous elections. However, some elections like the one recently in Assam did not succumb to this kind of divisiveness, and not for any lack of attempts. In Assam therefore the BJP won, a state with more than 30% population Muslim, raising the question, whether a turning point had been reached in Indian elections?

Turning to Vinod Rai, Thapar asked whether the use of President’s Rule in the State of Uttarakhand was a matter of concern. Had Modi betrayed his promise of “cooperative federalism” through the use and abuse of Article 356? Rai pointed out that Article 356 had been often abused through India’s modern political history, beginning with the first case of the Congress dismissal of the Kerala Communist government. With regards Uttarakhand the timing of its use was certainly questionable.

Taking this theme further, all panellists were asked whether “cooperative federalism” had been damaged. Mehta argued that it had and it was important to see this in terms of a

disaggregation into three aspects of federalism: financial, administrative and political. At first, the question had to be seen in terms of implications for relations between BJP and non-BJP governments. Secondly, the challenge for Congress would be to balance the tendency towards more centralisation of authority within the party and he alerted the audience to the fact that Goods and Services Tax (GST) Bill was going to raise challenges and end up being more centralising than decentralising. The interplay between financial, administrative and political dynamics of federalism was thus going to be key.

Thapar observed that the BJP had been stymied in getting reforms through parliament. He asked, has the Modi government done enough to reach out personally, for example to Sonia Gandhi and Rahul Gandhi or would the Congress be willing to admit, that “revenge is sweet” and that it was prepared to do what the BJP had done, and block reforms? In a vigorous reply, Tharoor contended that the government was exaggerating the opposition and obstructionism. In fact the government was simply not introducing enough bills for them to obstruct! He quoted a study showing how few bills had been introduced. On the GST he re-iterated that Congress was behind it but not in its current form. The GST was meant to unify the market and to avoid the danger of dividing the country into producer and consumer states, However, the current BJP GST bill, he argued was not a good GST Bill. However, it was not clear from the discussion what would be a good bill.

On the Economy

Turning to the second theme of the evening, economics, Thapar asked whether *Ache Din* expectations of the BJP government had been dampened by economic indicators. Directing his question specifically to Surjit Bhalla he asked why when the macro indicators were so good, was there a distressing picture at micro level, in terms of private investment, consumer demand, jobs, factory production. What explained this macro and micro disjuncture?

Bhalla answered that on the main indicator, that of Gross Domestic Product growth, performance was good plus inflation was low. These were the crucial measures. Furthermore, India’s economic performance had been 2nd best over the last 20 years compared with a peer group. The close coordination between the government and the Reserve Bank of India was also something not seen before. Investment rates were at 31 / 32 per cent. It was true that

government investment had taken a larger role than private investment but it was simply a matter of time till this changed – once the seeds had been sown, the rest would follow.

On the subject of ratings, Thapar pointed out that India may have recently improved its ranking on the *Global Ease of Doing Business* yet US business still found it very difficult to do business in India for a host of reasons. By and large there was a sense of dissatisfaction with the Modi government not having done enough to improve this.

Mallik pointed out there was a long standing market access debate, something coloured by US partisan politics. Nonetheless, the question had to be addressed of whether things were getting better: was cronyism getting less, was transparency improving and was “competitive federalism” leading to an improvement at the state-level? Mallik expressed a positive outlook on each.

Thapar then turned to the subject of India’s Non-Performing Assets (NPAs), and the estimated 450% increase in NPAs since 2011. Vinod Rai answered this was a pan-world problem. He quoted an Economist Study which had found billionaire wealth in India increase big time, thanks to commodity markets, thanks to a mushrooming of companies which had over-leveraged themselves. The issue of capital therefore was in his opinion, a very serious one. Investment had come to a halt because capital has been eroded.

Was this problem clearly a hangover from the past, in particular the tendency during past governments, for industrialists to feel that they could call up the government and get access to capital via State banks? Vinod Rai agreed that the extent of the mess bequeathed was not yet fully known and that the clean-up was invariably going to take time. He also pointed out that the *Ease of Doing Business* measure was essentially a game – the real issue and question boiled down to, what makes a country competitive? He pinpointed the following: (1) Energy Costs: on this Rai was of the opinion that the government did have an innovative plan, (2) Logistics: some credit needed to be given to the government especially with regards port sector and on roads. However, no roadmap was in sight for the railways. (3) Human Resources: on this Rai felt the government had not done well, especially on education, (4) Quality of Life: capital is clearly moving abroad due to concerns with pollution etc and here the government’s record was mixed and finally, (5) The Health Sector, where the government did not know even where to begin.

On another challenge, the need for jobs, Thapar asked, how the government could avoid the so-called ‘demographic dividend’ from becoming a ‘demographic disaster’? Thapar opined

this government had produced the lowest numbers of jobs in its 2 years, compared with the last 20. Bhalla interjected that performance is the key. Has education improved or deteriorated? Need to look at the delta, not at absolute numbers. The situation is not as bad as made out to be by referring to the data. In fact the unemployment rate has remained steady.

Touching another controversy, the discussions about Central Bank governor, Raghuram Rajan and the question of whether his time should be extended or not. Mallik pointed out Mr. Rajan had been an unusual RBI governor, outspoken on a number of issues, in a way that his predecessors had not been. So some things may have displeased some elements within the BJP. Nonetheless, he noted Finance Minister Arun Jaitley and Mr. Rajan had generally been on the same page, despite personality differences. In fact, Mallik claimed there was more congruence behind the scenes than what was happening in public. Bhalla pointed out that around the world, the appointment of a Central Banker is a big issue and needed to be discussed – this is very much part of being a democracy he argued.

On Foreign Policy

Turning to Foreign Policy, Thapar raised the view that everyone had been surprised by Narendra Modi's active foreign policy – would the panellists agree that he had shown flair, had developed important personal relations, even taking initiatives on Pakistan. Had Indian foreign policy actually become more adept under Modi?

Mehta replied with vigour and a certain candour in his approach that was refreshing. He had also taken political risk to his own constituency for example on Pakistan. However, he noted there is so much uncertainty in global politics at the moment that his efforts were unlikely to produce “structural breakthroughs”. He continued that Indian foreign policy remains unclear, that theatre runs ahead of structural realities, the approach to globalisation and great power politics remains ambivalent.

In response to a question on the Modi government's Pakistan policy, Mallik retorted that Pakistan was acquiring less and less salience for Indian foreign policy. A recent study on foreign policy in India by the Lowy Institute revealed that Indians were devoting less time and attention to Pakistan than predecessors and that Pakistan was beginning to matter less and less.

Another new development in Modi's foreign policy was the use of Diaspora. Was this a new policy tool and how effective had it been? Tharoor responded that there is no such thing as a *BJP* or a *Congress* foreign policy, there was only an *Indian* foreign policy. He concurred the Prime Minister had introduced a new vigour into foreign policy but that were inconsistencies and incoherence. On the diaspora he said this was a function of the bilateral relationship, between host and homeland country and furthermore, a rather unusual thing to do, in fact "borderline dangerous" to be raking up extra-territorial loyalties in other countries. Furthermore, it only worked in democracies where it also had the potential to become an electoral strategy for the host country's politicians.

The floor was then opened for a Question and Answer session

The first comment was that Modi had raised awareness about the country's need for toilets and access to water and that this was as important as the building of roads etc.

Bhalla agreed that Modi must be credited for making this an issue. Tharoor on the other hand argued that building toilets is not a panacea. You may build them, yet people will resist using them due to cultural preferences, plus there is a failure to maintain them, in part, due to lack of running water. It is a complicated issues. Nevertheless, he was willing to concede that the PM addressing the subject was helping change attitudes. Mallik pointed out that impatience with the lack of change must recognise that the mandate for a lot of these issues actually lies with the State government and there is only so much the PM and central government can do about it. Mehta pointed out that on governance issues, the record is good when it comes to finite targets like elections, auditing, managing and organising large scale events like the *KumbhMela*. However, failure emerges on regular, iterative processes that are drawn out over time. There is an urgent need to move beyond "mission-mode interventions" to processes that become more regularised, something that would be tested in the government's *Swachh Bharat* campaign. Rai argued that definitely the topic of hygiene has been raised in general public consciousness. To talk about it at the Red Fort was very courageous of the PM. Another positive change in attitudes was evident in the initiative to voluntarily give up LPG subsidies.

A second question from the audience was raised on the issue of priorities. Did India need a bullet train project when there were severe droughts in the country?

Mehta responded by saying that the bullet train issue had been hyped up and that it was mostly about stimulating the Japanese economy and would not detract from Indian investment and attention to issues such as severe drought. Thapar pushed the issue further asking whether India needed a space programme? Mallik responded that America too had poverty problems but that you have to get in while you can in the global race, otherwise before you know it there will be an NPT in space and you will be left out – India simply cannot wait till all of India's problems are solved!

Another audience member referred to the Ganga-cleaning project and whether progress had occurred. Mallik responded that the UPA government had formulated a plan together with the World Bank and the Modi government had developed this further. He pointed out that (a) the Ganga will never be clear like European rivers due to ecological, geological facts and (b) the European rivers project took 20 years!

Another question was raised on Reservations and whether this was going to be detrimental to human capital in the long run.

Mehta argued that this was a deeply complicated subject. A society like India would require affirmative action for a very long time. He forecast that every state will see major political agitation on this and there would have to be a new framework to address the challenge, calling it a "political tinderbox". Tharoor pointed out that there had been a Supreme Court resolution to strike down caste as the basis for reservations. In fact all indices of deprivation needed to be taken into account. However, here Mallik contested that in the recent Jat agitation in Haryana, the demand had not been so much about jobs but about college admission. Bhalla argued that (1) India needs affirmative action, but this is different from Reservations, (2) The Supreme Court and the Constitution were responsible for what in his view, was a debacle, (3) there should be a focus on economic criteria more than anything else and here the Muslims would benefit the most.

A final question from the audience covered two issues. Had there been a marked improvement in the allocation processes for coal and telecommunications? And while institutions may be crucial was it not also important to mobilise people at the individual level, in terms of raising awareness of being a responsible citizen?

Rai pointed out that there had been much more transparency in the coal and spectrum auction and no cases had been filed. It was all conducted electronically, so this was a definite improvement. Mehta however, said he was most worried about the issue of capital and

whether Indian capital was going to play by the rules. The test, he said would come in 3 to 4 years when allocations would have to be re-negotiated and then the question, would arise whether the state maintains procedures and whether capital would continue to accept that the State cannot dole out dispensations as they had become used to. On the subject of citizenship awareness, Mehta argued three things had to be in place: (1) the CAG had to identify the problem with the allocation process, (2) There had to be a Civil Society movement where the political cost of scandal was too high and (3) the political elite had to be willing to seize the momentum.

ISAS Director Subrata Kumar Mitra brought the evening to a close, highlighting the significance of this gathering in terms of both India and Singapore celebrating their democracies where public debate on public issues were necessary. The event also confirmed that India was open for business and bankable. Finally, he pointed out that the event had been titled, “*India under Modi*” but the discussion revealed, that 2 years in office given the compulsions and constraints of politics, it was more appropriate to say, “*Modi under India*”. Events over the past two years have shown the strength and resilience of India’s parliamentary democracy and the political culture of debate, deliberation and negotiation.

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