

Britta Petersen

»Lukewarm Reforms and World-Class Mistakes«

India's Prime Minister Narendra Modi is no longer invincible

If regional elections held in the state of Karnataka are any indication, India can look forward to a turbulent parliamentary election in early 2019. The Hindu nationalist Bharatiya Janata Party (BJP) won a simple majority in this southern Indian state in May, but efforts to form a government failed because the other parties closed ranks in opposition. The candidate at the top of the BJP's ticket, B. S. Yeddyurappa, resigned his post as the state's premier under fire, having served a record-low two days in that office. He was charged with having attempted to buy a majority of the deputies in the state legislature, which would not have been out-of-the-ordinary in India.

Now the Congress Party is governing once more in Bangalore, Karnataka's capital, with a grand coalition the survival of which is uncertain. By contrast, the frustration of the voters is a sure thing. For Prime Minister Narendra Modi there is good and bad news here. On one hand, his party can still win elections. On the other hand, the halos over the heads of the BJP and its supreme leader have grown a bit tarnished just four years after their landslide victory in 2014.

Suhas Palshikar, a professor of political science in Pune, opines that »the BJP continues to represent up-and-coming India«. Although most voters do not feel as if the »good days« (in Hindi *achche din*) finally have arrived, as Modi promised during the election, the BJP has indeed carried out enough reforms to create the impression that it wants to lead India into the 21st century. On the other hand, the opposition has noticed that Modi is vulnerable. It is true that the Congress Party, led by Rahul Gandhi, still has not put forward a persuasive program. Besides, this scion of the Gandhi-Nehru dynasty, which ruled India for 60 years, cannot hold a candle to the hyperactive, politically ascendant Modi. That being said, even the premier and his party put their pants on one leg at a time, like everybody else.

Mistakes in implementing many of the reforms have put a damper on the once great enthusiasm for Modi and his party. And in the wake of the Karnataka election the BJP can no longer plausibly boast that it is the »clean« party as it once did. Mihir S. Sharma, author of the book *Restart: The Last Chance for the Indian Economy*, snidely credits the Indian government with »lukewarm reforms and world-class mistakes.« He admits that Modi certainly is working to improve India, but there can be no talk of a »transformation.«

Crimes and acts of violence

Instead, the headlines are dominated by communal violence and rapes. Critics fear that violence against Muslims and anti-Pakistan rhetoric will intensify prior to the elections, because that is the easiest way to rally voters behind a candidate or party. Just over 80 % of the Indian population are Hindus, and more than a few hold the opinion that minorities like Muslims (14 %) and Christians (2.4 %) should comply with the majority's wishes.

That would mean, to cite just one instance, treating cows as sacred. Attacks on Muslims who operate (legal) slaughterhouses or allegedly consume beef have increased under the BJP government. »IndiaSpend,« a Mumbai-based organization specializing in data journalism, offers the following statistical summary: Between 2010 and 2017, 124 people were injured in India in attacks related to sacred cows. Of those victims, 28 died, of whom 24 were Muslims. 97 % of those attacks took place during Prime Minister Modi's term in office.

Mujibur Rehman, a political scientist at the Jamia-Millia-Islamia University in Delhi, says: »In India under Modi, Muslims feel deeply insecure. The message sent by Hindu nationalists is: It is up to us whether you live or die.«

A terrible crime that the public learned about earlier this year has strengthened this impression. An 8-year-old girl from the crisis-plagued state of Jammu and Kashmir was raped for days in a temple and then finally murdered. She belonged to a nomadic Muslim tribe that is convinced that, on account of its religion, it should be driven out of the region in this state traditionally dominated by Hindus. The suspects were not without their supporters. Two local parliamentary deputies from the BJP took part in a demonstration in favor of the perpetrators. Although they have since resigned, the devastating impression remains.

To be sure, Narendra Modi, aware that he is duty-bound to speak out, has condemned »hooliganism in the name of the cow« as »unacceptable.« Yet the premier cannot go so far as to alienate the radical wing of his party. Modi owes his electoral triumph in 2014 not only to his personal charisma, but also to the effective electoral machinery of the BJP. The pillars of its success include highly sophisticated planning, the professional use of social media, and a nationwide network of »*sevaks*« (Hindi for volunteers) belonging to the Hindu nationalist quasi-party organization known as *Rashtriya Swayamsevak Sangh* (National Volunteer Corps), the *Vishva Hindu Parishad* (World Council of Hindus) and the youth organization *Bajrang Dal*.

The *sevaks* think that the landslide victory of the BJP in 2014 constitutes a mandate for their Hindu-nationalist ideology. As the journalist Prashant Jha explains in his book, *How the BJP Wins: Inside India's greatest election machine*, they believe that, in a country that is 80 % Hindu, all the BJP has to do to win is to expunge its image as a party of the higher castes. Yet the hope that a Hindu electoral base »consolidated« in this way will carry the party from victory to victory in elections underestimates the diversity of Indian society and, at bottom, is anti-pluralistic.

It also misrepresents the fact that many voters gave Modi their vote primarily because he promised them work and prosperity. However, this has happened only to a limited degree. According to a report by the UN-affiliated »Economic and Social Commission for Asia and the Pacific (ESCAP),« the Indian economy is expected to grow by 7.2 % in 2018. Thus, India boasts one of the fastest growing economies in the world. Nevertheless, only a few Indians have the feeling that things have gotten better for them since the BJP has been in power.

The authors of the ESCAP study believe that the introduction of a value-added tax in 2017 plus a mountain of non-performing loans at Indian banks are responsible for the fact that growth has not accelerated even faster. Furthermore, the gov-

ernment administered shock therapy toward the end of 2018, under the rubric of »demonetization,« that was intended to help combat the underground economy and rein in tax-avoidance. In one fell swoop it made almost all of India's cash money worthless and caused economic growth to plummet from 7.9 % to 4.5 %.

The reform, which caused chaos at bank teller windows for three months, created the impression primarily among the »simple« people (Hindi: *aam admi*) that the »corrupt rich« would now be in for it. But it is doubtful whether unreported earnings and tax evasion really were reduced. The introduction of the value-added tax, widely praised on all sides, was better suited to boost the much too meager tax revenues of the Indian state. But, at least initially, it caused a lot of bureaucratic hassles and losses mainly for small and middle-sized companies.

How successful are the reforms?

According to a report issued by the International Labor organization (ILO), the number of the unemployed actually increased between 2017 and 2018 from 18.3 to 18.6 million. Nevertheless, in light of the uncertain outlook conveyed by the data, economists disagree about whether this should be considered a case of jobless growth. Arvind Panagariya, ex-chief of the former planning commission NITI Aayog, described the »chatter« about jobless growth as »nonsense.« He argues that 7.3 % growth cannot come merely from the deployment of capital. Critics such as Mohan Guruswamy, chair of the Center for Policy Alternatives, a think tank in New Delhi, counter that, »in fact, the richest 1 % of the population diverts to itself 73 % of the growth in wealth. That is growth, but it does not create any jobs.«

One reason for this trend is that the majority of the reforms launched by the government remain »étatist.« Modi's vision for his country imagines it leaping over several developmental stages at once and transitioning directly into the digital economy. Many of his reforms rest upon an astonishing trust in the blessings of new technologies and the power of the state. This is especially true of demonetization and the introduction of the »Adhaar card,« a biometric identification scheme that will be mandatory beginning this year for anyone who is entitled to receive transfer payments from the state. Whoever believed that Narendra Modi is an economic liberal has indulged in self-deception.

To be sure, in 2017 India did move up 30 places on the »Ease of Doing Business« index. But in global comparisons, India remains only in the middle range when it comes to business-friendliness. Deregulation of the labor market and a reform of the law on the acquisition of land, which hampers the expansion of infrastructure, have been put on hold. The stressed banking sector is also hard to reform. By this time, some 15 % of all loans are non-performing. Since 70 % of all financial institutions are in state hands, a dense network of sleazy relationships has formed between politicians and the banking bureaucracy.

At the same time, the Indian economy no longer enjoys a tailwind emanating from low oil prices. For the first time since Modi came to power, the country is seeing rising oil prices – a worrying trend since it imports 80 % of the crude that it needs. Recently, the Indian rupee fell to its lowest exchange rate level with the US

dollar since 2013. However, this may also have something to do with increasing protectionism under US President Donald Trump.

So the upper middle class, who had hoped that Modi would finally make their country fit to join the world's elite, already has turned away from him in disappointment. Mihir S. Sharma complains that »India remains a land of missed opportunities.« For the rest of the electorate, the BJP for various reasons may still be the best choice. Or it might not, as indicated every now and then by the outcome of regional elections. In any case, it no longer seems likely that the BJP will march undaunted back into power in 2019. For Indian democracy, that is certainly a good sign.



Britta Petersen

is a senior fellow at the Observer Research Foundation (ORF), a think tank in India. Previously she directed the Heinrich-Böll-Stiftung's office in Pakistan and was a correspondent and Southeast Asia editor for the *Financial Times Deutschland* in Berlin, Kabul, and New Delhi.

brittapetersen@orfonline.org

Gregor Fitzi

They No Longer Exist

The political left in Italy in the wake of the election and formation of a new government

For quite some time now, the least common denominator on which the Five-Star Movement (Movimento 5 Stelle, M5S) and the League have been able to agree has been their virulent polemic against the establishment and the European Union. Otherwise, the two parties seem to be totally antithetical, with M5S being left-wing populist and the League right-wing populist. In the coalition agreement that they recently concluded, however, the right-wing populist signature is much more clearly discernible. Thus, for example, the security policy of the newly installed interior minister, Matteo Salvini (also head of the League), provides for the establishment of mass internment camps and a speed-up in the deportation of migrants. In this context, the protection of human rights is not even a topic of conversation. Instead, all migrants should be deported directly to Libya. Also, some thought is being given to reserving places in day-care centers exclusively for the children of Italian parents.

But the political fire brigade came to the rescue. In perhaps the boldest expression of political commitment in the history of the Italian Republic, State President Sergio Mattarella was able to derail the coalition's plans for an Italexit. Two technocrats, foreign minister Enzo Moavero Milanesi and economics and finance minister Giovanni Tria, stand for the President's temporarily successful appeasement line on European issues. Whether they will be able to keep the populists' anti-Europe fever under control over the long run remains to be seen. The 81-year-old, Euro-skeptical minister for European affairs, Paolo Savona, whom Mattarella prevented from taking the post of finance minister, will see to it that tensions remain high. To be sure,