

On 23 May, Indian Prime Minister Narendra Modi claimed victory in the General Election for the National Democratic Alliance, of which his party, the Bharatiya Janata Party (BJP or the Indian People's Party) is the dominant force. Modi won convincingly by 353 seats out of 542, defeating his Congress party rival, Rahul Gandhi, and its allies. In so doing, he defied the prevailing view that his coalition would have to woo additional allies in order to form a government.

The strength, although not the fact, of the result, was surprising for a number of reasons. Modi did very well in states where the BJP had fared poorly in recent state elections such as Madhya Pradesh, Rajasthan and Chhattisgarh. He also did particularly well in the large state of Uttar Pradesh (but performed less well in the South where strong local parties have traditionally been more dominant).

There had a been an expectation that poor government delivery on key economic reforms such as land acquisition and agriculture, a high level of distress in the electorally crucial agriculture sector, clumsy implementation of a GST and an unwise decision to demonetise high denomination banknotes would all count against Modi. However, Modi also put in place a number of intelligent welfare programs, particularly, a Government-funded health insurance program to cover 500 million people or 40 percent of the population. These measures redounded to his benefit – as did his strong personal appeal.

Less nobly, some of Modi's success must be attributed to his beating of the nationalist drum. This was most apparent by his response to a terrorist attack in Kashmir which killed 40 Indian paramilitaries. Modi ordered the bombing of the base in Pakistan from which those responsible were said to have originated (a reaction rejected by the Congress Government, following the 2008 Mumbai attacks).

Another, apparently successful, feature of the BJP campaign was its anti-Muslim tone in some parts of the country. The campaign in West Bengal, for example, alleged that the Chief Minister Mamata Banerjee had smuggled Muslims across the border from Bangladesh. While in the Southern state of Karnataka, it was suggested that Muslims from the neighbouring state of Kerala (who had made money in the Gulf region of the Middle East) were buying properties in Karnataka at the expense of its Hindu population.

Modi has now installed a cabinet which is a blend of known BJP names and some genuine policy talent. The latter includes Nirmala Sitharaman, India's first female Finance Minister since Indira Gandhi; and as Foreign Minister, Subrahmanyam Jaishankar, a former Secretary of the Ministry of External Affairs and Ambassador to Beijing and Washington.

Modi's initial, principal challenge for his second term will be to place the economy into a better state of repair. Despite some of the shortcomings in the Government's economic management in its first term, growth had been better than that of any major economy in Asia, running at approximately seven percent. However, in the quarter ending 31 March 2019, growth slowed to 5.8 percent - a five year low – and incidentally lower than China's growth of 6.4 percent over the same period. For the period ending 31 March 2019, India's growth was at 6.8 percent compared to 7.2 percent in the previous one year period. All of these figures were lower than predictions from Government and the experts.

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Issues now requiring Modi's attention include the revival of private corporate investment and the structural problems within banks and other parts of the financial services sector. Perhaps the most pressing task will be to deal with the distress in the agricultural sector through a more structured reform approach (covering production, infrastructural needs and irrigation, etc.) rather than the use of quick fixes such as farm loan waivers. Modi will also have to create employment in a country in which approximately 12 million people enter the workforce each year.

Another significant issue is sectarianism.

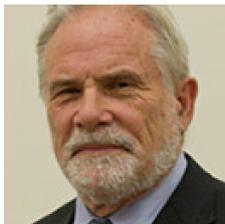
The BJP's origins lie with the Hindu nationalist movement known as the Rashtriya Swayamsevak Sangh (RSS or the National Volunteers Organisation) – a group which nurtured Modi politically. This, and Modi's failure to prevent the slaughter of Muslims within Gujarat in 2002, when Modi was the state's Chief Minister, has meant that his approach to minorities has always been under scrutiny. During its first term, the Government was rightly accused of acting against the interests of minorities – in particular, Muslims, who make up about 14 percent of the population. The nature of much of the BJP's election campaigning leaves little room for optimism that Modi has, so to speak, seen the light.

Government approaches to sectarian issues will, therefore, be under intense internal and external scrutiny. At a best guess, Modi's approach will not change much in his second term. However, his astute political instincts will avoid policies of a dimension that would break the social compact that has held India together since its independence.

Modi will be a more confident external actor in his second term. He will have the best possible guide in his External Affairs Minister, Jaishankar.

Modi is unlikely to give much quarter to Pakistan and has already eschewed an early meeting with Pakistan's President Imran Khan. India will continue to maintain a strong relationship with Japan, while the country's relationship with Australia should remain positive. Relations with China are likely to remain cool but measured. China and India have annual summits and should avoid deviation from the minor positive reset to relations established in May 2018.

The relationship with the United States (US) has been central to India's foreign and security policy since the early part of the twenty-first century and should remain so. The relationship will, however, be affected by India's irritation about US policies that are intended to draw third countries into its sanctions regimes against Russia and Iran: two countries with which India has good relations.



**John McCarthy AO** is a former Australian diplomat. Among his various postings, he was High Commissioner to India (2004-09) and Ambassador to Japan (2001-04), Indonesia (1997-2001), the United States (1995-97), Thailand (1992-94), Mexico (1985-87) and Vietnam (1981-83). He also served as the Deputy Secretary of the Department of Foreign Affairs and Trade (1994-95). He currently serves as Chair of the Advisory Board of the Griffith Institute and as Senior Advisor to Mitsubishi Materials Corporation.