

Modi's victory - more decisive than was predicted – owed much to his political skills, the machine he and his able lieutenant, Amit Shah had built, and the leadership and organizational weaknesses of the opposition Congress party. Competent regional parties such as the Trinamool Congress in West Bengal were incapable of providing a pan-national alternative to the BJP.

Modi successfully made national security an issue with a major airstrike into Pakistani territory in response to a terrorist attack in Kashmir in February. This approach sat easily with the BJP's historical espousal of Indian nationalism, which large sections of the Indian population now equate with Hindu nationalism or Hindutva.

While there were multiple reasons to be concerned by a deterioration in India's economic performance, these did not impact significantly on the concerns of the electorate.

Half a year later the government's record is seen in the light of two main features.

### The Government continues to push its Hindutva credentials

This was most notable when Modi's oversaw legislation which removed the special status as an autonomous region for India controlled Kashmir, which has an overwhelmingly Muslim population

The passage of this legislation was accompanied by a communications blockade which cut off mobile phone and internet connections in the region. A number of political leaders were arrested, and all visitors were ordered out. Relevant orders were only rescinded two and a half months later.

India's action drew critical responses from the United States Congress, and governments in Europe and China. Predictably India and Pakistan engaged in a war of words. While this strayed into talk of the nuclear spectre, both sides seemed anxious to contain such talk. India responded adversely to the truly frightening offer by President Trump to mediate between Pakistan and India over Kashmir.

In an action hugely significant in terms of the religious divide in India, on 9 November, the Supreme Court ruled to permit the building of a temple to the Hindu god Ram on a site in the town of Ayodhya, which had previously been the location of a Muslim mosque razed to the ground by extreme Hindutva adherents in 1992. Ayodhya is believed to be the birthplace of Ram.

While the decision was of course one by the Supreme Court, not the government, the latter has long pushed for the rebuilding of the Ram temple and the Court is now widely seen as pliant to the wishes of the government.

### The Indian economy is now in the doldrums.

Recent data shows the India economy expanded at a rate of only 4.5% in the quarter ending September, its sixth quarter of slowing growth. This figure represents a decline in growth from 9% in early 2016 and 8.1% in early 2018. Figures for unemployment and labour participation have also worsened leading to a slowdown in manufacturing, investment and job creation.

But what to do? The government has already exhausted some of its options for improving the economy, including cutting the corporate tax rate, merging 10 state owned banks, and announcing the sales of public stakes in oil, shipping and logistics companies to raise USD15 billion. But the government has still to move significantly on labour and agricultural reform

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While FDI has thus far remained solid, this lack of economic performance is giving rise to fears that it could discourage it, albeit that investment remains attractive in the better performing states such as Gujarat or Tamil Nadu.

Moreover, India's decision to abandon the Regional Comprehensive Economic Partnership (RCEP) may prove to be a historic mistake. While it would have run risks from joining – including from cheap imports from China, India now sits outside both the trading blocs that will help define the region's future – the RCEP and the Transpacific Partnership (TPP).

India's decision also sends alarming signals about India's commitment to both trade and domestic economic reform. And in geopolitical terms India has lost credibility with ASEAN which had hoped India would join – in great part to offset Chinese dominance of the new trade area.

Criticism of Modi by the business community of Modi's pugnacious political style is beginning to rise to the top.

In an essay last month in the respected liberal newspaper, 'The Hindu', former Prime Minister and noted economist Manmohan Singh described a "palpable climate of fear" across the country amongst bankers, industrialists and technology startups. While neither Manmohan Singh nor 'The Hindu' are friends of the government, this overall sentiment was echoed by noted industrialist Raul Bajaj who said in a column in the 'Economic Times' at the beginning of December that "we are afraid – but no one will talk about it".

Despite these problems, Modi remains popular and there will be no early threat to the government's dominance in India. But the fragile social compact which has been intrinsic to India's cohesion since Independence is being battered and the economic promise of the earlier part of Modi's first term has not been sustained. It will be an interesting year.



## **John McCarthy AO**

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