

MODI'S OPERANDI

What openings are there for New Zealand as recently elected Indian Prime Minister Narendra Modi begins wielding his neo-liberal broom? **by PATTRICK SMELLIE**



Bathers at Varanasi: Are India's 1.3 billion people seeing a glimmer of prosperity or about to have a recycled version of the tattered American dream foisted on them?

The taxi driver will not let me out of the cab in Trilokpuri, a far-flung “suburb” of New Delhi, which began life 40 years ago as a resettlement zone for communities cleared from slums in the 1970s. The area looks like any poor urban environment in India, but it is tense. “Danger time!” my driver says emphatically, waving away a finger-signed desire to hop out for a wander in an area hit by religiously inspired communal violence between Hindus and Muslims in previous days.

He chauffeurs me swiftly through the hot spot, where later that early November day the Muslim rituals of Muharram will be observed. News reporters will wait for lobbed stones and blood and the Indian police will mass bearing the heavy sticks they use to beat back crowds. In the event, the festival passes off peacefully enough. A good thing happens: local Hindu community leaders are asked to lead the Islamic parade.

Welcome to India 2014, both shackled to a violent sectarian past that continues to simmer and boil over nearly 70 years since independence and partition in 1947, and entering what many of its 1.3 billion citizens hope is a new age of prosperity, if not peace.

On the morning of my riot hunt, newspapers carry reports of a Pakistani suicide bomber killing more than 60 of his fellow citizens at the Wagah border crossing between India and Pakistan, the epicentre of official nationalistic fervour for both countries, played out daily in militaristic national flag ceremonies. Muslim Pakistan is the home of the Pakistani Taliban who inhabit the country’s barely governable North-West Frontier Province and committed December’s atrocities in Peshawar, killing children of Pakistani soldiers at school.

At the time of partition, most of India’s Muslims moved west to create Pakistan, while Hindus moved east into India. Independent India became a non-aligned state with a socialist bent during the Cold War,

and a virulent form of Hindu nationalism took hold, embodied today in the right-wing paramilitary organisation known as the RSS, to which the ruling BJP (Bharatiya Janata Party) is closely connected.

DEMOCRACY RULES

Yet India, for all its tensions, is unlike many other post-independence Commonwealth colonies: it has remained a democracy. Its bureaucratic gears grind slowly and there is widespread corruption, but it is no China. Delhi tries to rule from the “centre”, as it is known in Indian politics, but it has historically done a bad job, whereas Beijing – so far – exerts more successful control.

In May, Indians elected by a rare, clear parliamentary majority a leader who comes from the country’s troubled sectarian tradition and in whom great hope for economic transformation is now being placed. He is the low-born, informally educated 64-year-old workaholic Narendra Modi, who hails from that unfortunately dubbed element of Indian society known simply as the “other backward castes”, who are Hindu and make up close to half the country’s population.

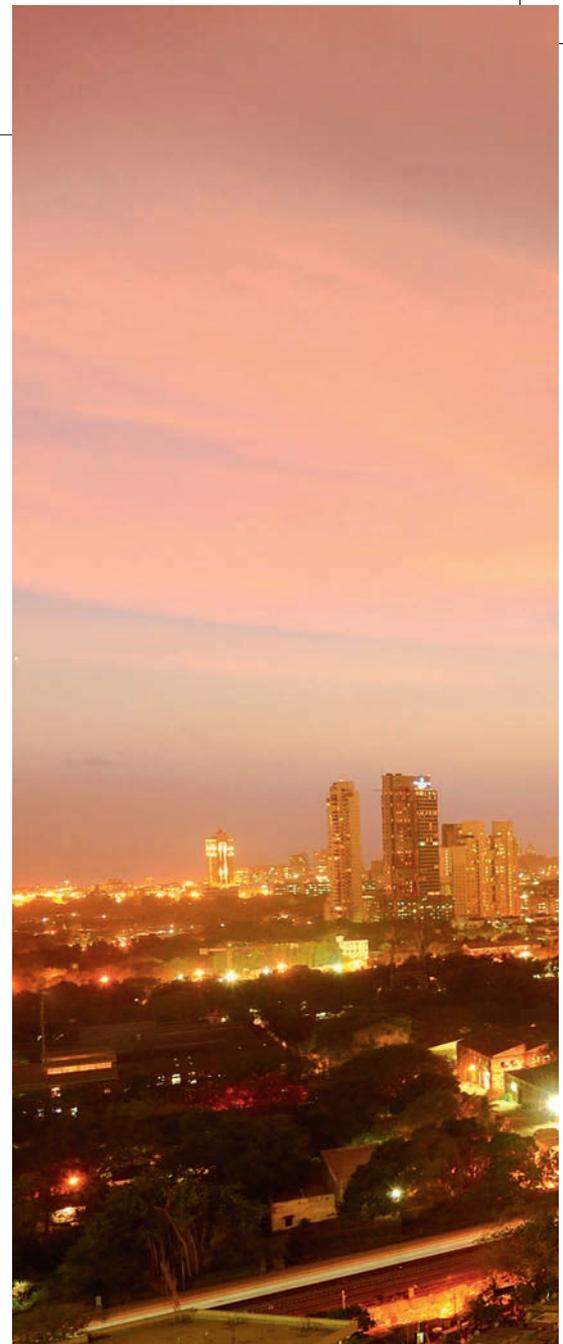
Modi speaks to political audiences in Hindi, not English, which is spoken by only 130 million Indians – one in 10. He turns up all over the country wielding a broom in the company of celebrities for photo opportunities connected with his “Clean India” campaign, and used the arrival of an absurdly inexpensive Mars probe at the Red Planet earlier this year to launch his other big push: the “Make in India” campaign. A recent scandal involved the creation of fake filth to clean up for the cameras.

Foreign direct investment, on which Modi made his name as governor of the go-ahead state of Gujarat in India’s northwest, must also stand for “first develop India”, he says. He may be pro-free market, but India is complicated and has its own rules – a view repeated among even the most neo-liberal of the elite who are supporting Modi’s rise.

Thanks to this combination of dynamism and roots outside a self-referring Delhi politics, Modi is seen as a circuit-breaker to end the post-colonial grip on Indian politics held by the Congress Party and its dynastic leaders, the Gandhi and Nehru families. It was national fatigue with more than 60 years of Congress-dominated politics that swept him to power seven months ago as much as his own uncontested skills as a political organiser, assisted by his party secretary/

“People are convinced of the benefits of a market economy and consumerism.”

GETTY IMAGES





Modern Mumbai; Narendra Modi, pictured below at New York's Madison Square Garden, favours foreign direct investment, but it must mean "first develop India".



henchman Amit Shah.

“Six decades in power, 400 million still in poverty,” says Anil Padmanabhan, deputy managing editor of Mint, a start-up financial news service, summing up the Congress contribution to India. “A massive anti-Congress feeling got Modi elected.”

But Modi battles a dark past. In 2002, while governor of Gujarat, an outbreak of communal violence killed at least 790 Muslims and 254 Hindus. Many believe the uproar was orchestrated and that Modi, even if not involved in planning it, was complicit

the surface, no matter how much influential Indians insist the opposite. In private conversation and media commentary, the issue is real. A guest at a New Zealand High Commission reception says under his breath that he cannot support Modi and his “racist” crew.

The newly elected BJP chief minister for Maharashtra state, home of financial centre Mumbai, is reported under a headline in the *Financial Express* newspaper that shouts: “The RSS will not influence my government.”

is confident. Bhalla’s wife then knocks my socks off by telling me he’s late because he’s been called, at short notice, to a meeting with Modi, as one of a group of academics, journalists and economists in whom the PM confides from time to time.

This is a remarkable thing about India. A short trip to a vast country yields contacts at the highest levels, both for a visiting journalist and a lightning trade mission to ramp up the Cricket World Cup, with games in New Zealand about a month away. Perhaps they’re just a friendly bunch, but there is a



From left: Modi meets US President Barack Obama last September; Harvard’s Gita Gopinath; the Indian PM at the UN; Muslims in Indian Kashmir protest over the Pakistani Taliban’s school massacre.



in allowing it to continue.

His supporters are anxious to dismiss Hindu nationalism as an impulse the new government neither needs nor wants to inflame, but Modi walks a fine line between active discouragement and sly dog-whistle politics. For example, when referring on the campaign trail to Rahul Gandhi, the reluctant and ineffectual Congress Party leader, Modi would call him “Shahzada”, meaning “prince” in Urdu, the primary language of Pakistan. To call Gandhi a prince in Hindi, he would have called him a “Rajkumar”. Modi’s supporters notice such nuance instinctively.

Modi’s refusal to wear a Muslim skull-cap ignited communal tensions in April and Indians have their own version of the Obama “birther” theory, which holds that former Prime Minister Indira Gandhi’s husband Feroze – Rahul’s grandfather – was in fact Muslim.

None of this kind of discourse is far below

MEANWHILE, IN THE REAL INDIA

Back in Trilokpuri, my taxi tour hardly warrants a “dangerous mission” badge. It yields one torched car and a surprising number of goats on a raised platform, which have nothing to do with anything.

A day later, in the leafy suburb of Panchshila Park, Surjit Bhalla is running late for our interview. An elderly relative is reading a biography in English in the garden in the late heat of the day outside Bhalla’s rambling three-storey home. He intercedes for two younger men, neither of whose English

sense of delight in being noticed just when India’s late engagement with globalisation is preparing to go full-blown.

This is happening just as Western nations increasingly question the impact of the so-called “neo-liberal” agenda that Bhalla is far from alone in thinking is an easy sell to Indians sick of poverty, corruption and economic underperformance. “My one big observation is that there is a structural change afoot in India,” says the economist, columnist on the *Indian Express*, emerging markets adviser and Modi believer.

“This change is, for the first time, not a change from Congress to BJP. We had that with Vajpayee [BJP Prime Minister between 1998 and 2004], but that was akin to Tweedledum and Tweedledee,” says Bhalla. “With Modi, there’s a very likely possibility of a very different mindset.”

He is having no trouble selling an Indian version of the American Dream at the moment. “People are convinced of the

This is a remarkable thing about India. A short trip to a vast country yields contacts at the highest levels.

benefits of a market economy and consumerism," says Padmanabhan. "They want that kind of lifestyle." Of course, he says, in five years' time Modi might be judged a "total flopshow" – one of the many wonderful olde worlde expressions that pepper Indian English – but for now, it's early days and animal spirits are running hot.

Says Ashok Malik, a Brahmin of the Delhi commentariat: "We are in the new Indian era, which Modi symbolises." Manjeet Kripalani, the Mumbai-based executive director of the Indian Council on Global

economic zones and other pro-industry policies that she says have not provided the employment payback promised. "After 20 years of growth, 60% of India's workforce is self-employed and 90% of India's labour force works in the unorganised sector," she says.

STRUTTING THE WORLD STAGE

However, that was Congress. This is Modi, and the showman of Gujarat – which was only ever a mid-pack performer during his governorship in the 2000s – is taking his

our best to bring change and development in India. We assure you that the Government will not do anything to defame India," – a clear reference to underlying nationalist tensions that *Wall Street Journal* columnist Sadanand Dhume suggests could yet derail his economic plans. "The worry is that suspicions about trade and market economics within the Hindu nationalist movement ... will prevent the party of religion from becoming the party of reform," wrote Dhume in October. The irony of Modi's American appearances is that for the previ-



Relations, Gateway House, says simply: "Modi is India." She also suggests it's time one of the previous leaders in Indian economic thought, Nobel laureate economist and philosopher Amartya Sen, was "put out to pasture", his views on economic development and poverty reduction an unhelpful anachronism. Her head of research, Akshay Mathur, says: "Modi sees entrepreneurial promise. Gandhi sees them as 'poor'."

For another kind of Indian political activist, the fear is that Modi will simply further enrich a coterie of existing oligarchs who run multinational conglomerates such as Tata, Mittal and Reliance Industries. Novelist and human rights and environmental campaigner Arundhati Roy calls it the "gush-up" theory, in which wealth is actively funnelled to the top.

In her angry 2014 polemic *Capitalism: A Ghost Story*, Roy expresses a strain of Indian political opposition that derides the use of vehicles favoured by Modi, such as special

gift for political theatre to the world stage and becoming a global phenomenon. At the Big Apple's Madison Square Garden last September, he got what the *New York Times* called a "rock-star reception", while in New York's Central Park, he addressed a crowd of 50,000, sharing the stage for no obvious reason with Australian actor Hugh Jackman. An appearance in Melbourne after the mid-November G20 meeting in Brisbane had the same atmosphere, galvanising the local Indian community.

In Central Park, Modi said: "We will do

Novelist Arundhati Roy calls it the "gush-up" theory, in which wealth is actively funnelled to the top.

ous nine years he had been prevented from setting foot in the US because of a State Department ban imposed after the 2002 Gujarat riots.

Like many up-and-coming Indians, Padmanabhan dismisses the Hindu nationalism issue. "I don't carry any of that baggage. Those who love Modi aren't all radicalised right-wing Hindus," he says. "They represent a more aspirational society."

The challenge of meeting those aspirations is huge. About 12 million Indians reach working age each year, but only about two million extra jobs are created annually across both the formal and very large informal workforce. Mint has published figures showing among the least successful at finding work are the highly educated, many of whom look for exits to First World economies, including New Zealand.

Nonetheless, Padmanabhan says Indians saw their economy fall into a hole under the leadership of 82-year-old Congress Prime

Doing the business

To prosper in India, Kiwis are advised to give the government a wide berth.

There's a starry-eyed view out there, says Josey Puliyyenthuruthel John, managing editor at *Business Today* magazine in Delhi, that India should be an easier place to do business than, say, China.

"We speak English, [we have] Commonwealth rule of law, we have cricket in common." He ticks off the factors that might suggest a Kiwi heading to India with a business idea should have a head start.

None of it does any harm, but none of

is pervasive, even among those who see Modi's ascent as India's opportunity to liberalise its economy. What they do want is the technology that creates better cows, milks them, keeps the milk fresh, delivers it to market and gives the best possible yield – all high-value stuff that New Zealand does well and would help enormously in India, where a whopping 40% of the annual output of fresh produce spoils before final sale.

Guy heard about this first-hand on an ungodly early visit to a fruit market in

"We need this technology here," he said. Leave aside, for a moment, the question of what the boy and his prematurely aged co-worker would do for a crust instead. This is a microcosm of a stand-out opportunity for New Zealand agricultural technology, regardless of whether a free trade deal can be signed.

Across the way from the oranges hall, the evidence of that is clear. Apples from Kashmir, packed in wooden crates not seen on a New Zealand orchard since the 1970s, are brought down from that region



Nathan Guy, left, and Stephen Fleming drum up Cricket World Cup interest in New Delhi. Right, manually sorting produce.



it helps as much as you might hope, he says. "Doing business in India is hard. It's competitive, people don't always pay for what they've bought and the pace of commercial life is frenetic.

As for a free-trade deal with India, revived by Primary Industries Minister Nathan Guy in a meeting with his Indian counterpart during November's trade mission, don't hold your breath.

India has the world's largest dairy-consuming public and a national average dairy herd size of two cows. It doesn't want to compete with Fonterra.

The "India's a special case" argument

Delhi. Watching a teenaged boy and a wizened man hand-sorting oranges by size into different buckets, a local fruit magnate spoke sternly about the fact that wherever he went in the world, he came across New Zealand-made Compac fruit-sorting equipment. But never in India.

India, with the world's largest dairy-consuming public, isn't out to take on Fonterra.

to Delhi on trucks, unloaded by hand and sold to small-time traders on the spot. The sellers stand with something like a tea-towel draped over their wrists, waiting to bargain beneath the cloth using a system of finger signals understood by both parties. Open crates reveal a wide mix of fruit, ranging from fine-looking to the oddly sized, cankerous and blotchy.

Away from agriculture, there are other big opportunities. Ashish Hemrajani, an events booking software entrepreneur whose fast-growing BookMyShow web service is taking off and using some of the smarts from recently NZX-listed New

Zealand cinema-management software developer Vista Group International, sees huge opportunity in information technology.

An adviser to New Zealand Trade & Enterprise in Mumbai, under its Beachheads programme, Hemrajani says the myths about India and New Zealand go both ways. "A lot of people [in India] don't know New Zealand has great IT infrastructure, innovation and design.

"The challenge for New Zealand is resources. Most New Zealand companies are small and medium-sized enterprises – India is just too huge. For its part, India has always been insular."

He stresses also that the whole population is not the market. For example, he targets just 15 million Indians who participate in e-commerce. That will grow fast; it pales in comparison with the 900 million people carrying cell-phones, which simpler technologies are exploiting to leapfrog the traditional banking system.

Vinny Lohan, a University of Auckland engineering graduate now back in Mumbai, has invented OneBeeep, a way to connect laptops provided to rural schools to the internet using a basic transistor radio. Indian solutions will start as low-tech, he suggests.

For New Zealand businesspeople tossing up between India and China as places to do business, Hemrajani offers this bon mot: "If you want to succeed in China, stay as close as you can to the government. If you want to succeed in India, stay as far away as possible from the government."

Delhi has "no clue" about the industry he's in. "They don't understand our business and I'm glad."

Sirdath Birla at the Federation of Indian Chambers of Commerce and Industry also warns India watchers to be patient. The new optimism in Indian commerce is seven months old. It will be three to four years before that starts translating into the major infrastructure and other projects that he expects will drive a new surge of economic growth.

"The commercial community had always estimated and understood that it would be 18 to 24 months before we saw real action on the ground," Birla says.

Minister Manmohan Singh in the first years of this decade and voted for the more vigorous candidate with a record of economic success. "He outsteps you at every stage," says Padmanabhan. "He controls all the debates. The Opposition is reacting to him. He's continuously proactive."

A World Economic Forum conference in the same hotel as a New Zealand trade mission in November was tapping into this change of mood. "There are no ifs or buts," said Gita Gopinath, a Harvard economics professor who addressed the conference. "Perception about India has changed dramatically."

Modi's federal lower house majority, combined with a string of wins in state elections since his federal win in May, suggest the BJP can reasonably expect to control India's federal upper house, the Rajya Sabha, by 2018, giving Modi carte blanche to implement what he's made clear is a 10-year agenda for change.

That said, Modi has been under pressure to demonstrate an economic agenda. A piecemeal mini-Budget set a tone for change, but there is no sense of a clear plan so far. Others point to several big steps: a massive cut to diesel subsidies, which has gone down quietly because of falling global oil prices while helping hugely with the government's awful Budget deficit problem; early labour market reforms; a flinty desire to privatise huge but mismanaged state assets, including coal; and the thematic Indian pride campaigns.

Among business leaders, there is huge focus on India's poor standing as a place to do business. The World Bank ranks India 142nd in the world for ease of doing business. New Zealand ranks second, but is an economy that doesn't matter. India, the world's second most populous nation and largest democracy, would like to be in the top 50, and quickly.

The next big milestone is Modi's first full Budget, on February 28. "These four months are his window," says commentator Malik of the Budget lead-up. "He needs to use them cleverly. He is a consummate events manager. Rather than 300 things in the first 100 days, he will do one thing a day for the next three years. His big challenge is not so much about opening up or tinkering. It's to get India's promise going."

Meanwhile, Bhalla expects Modi will soon be giving signals to the BJP's nationalist element that he doesn't need any trouble from them, let alone misplaced attempts

at assistance. "There's a little bit too much right-wing Hindu nationalism," Bhalla says, though he believes it's peaked, as has inter-communal violence. "He will handle [the RSS] by benign neglect, which is what he's showing now. What people accuse him of is not coming out and openly discouraging this nonsense.

"I expect somewhere down the line ... he will come out and address this issue. At a fundamental level, I don't think he's the type who believes in this stuff."

WHERE TO BEGIN?

Josey Puliyeenthuruthel John, managing editor of *Business Today* magazine, says because there's so much to fix, Modi could start almost anywhere and make progress. Likewise, Malik says, "None of it's huge reform. It's clearing up the mess of the past."

The mindset that prevailed in India was that "capitalists are evil people, they make profits and that's evil and they need to be taxed on their unwarranted income," says Bhalla. "I used to say [Venezuelan President Hugo] Chavez hadn't died of cancer, but of embarrassment that Congress Party president Sonia Gandhi was more socialist than he was."

India has "messed up on both wealth and welfare, with the end result that we are growing at considerably below our potential", he says.

For every 100 rupees spent on the poor, he claims "only 10 or 15 rupees ever make it to the poor". "I can mount an argument that our welfare policies are meant to help everyone but the poor. The status quo has not been delivering for the population."

Fuel and food subsidies, necessary to manage the vast gap between the wealthiest and poorest Indians, have kept inflation above 10%. But inflation is plummeting and India is emerging as one of the greatest beneficiaries of plunging global oil prices, making potentially difficult reforms easier to swallow.

"The macro-economic stars are aligning," says Shubhada Rao, chief economist at Yes-Bank in Mumbai, as business and consumer confidence indices go through the roof.

Says Sidharth Birla, the president of the Federation of Indian Chambers of Commerce and Industry, "There's a regeneration of pride in being Indian." ■

Patrick Smellie travelled to India with the assistance of the Asia-New Zealand Foundation.