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Edited by
Michelguglielmo Torri
and **Nicola Mocci**

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INDIA 2015: THE UNCERTAIN RECORD OF THE MODI GOVERNMENT*

Michelguglielmo Torri

and

Diego Maiorano

University of Turin
mg.torri@gmail.com

University of Nottingham
Diego.Maiorano@nottingham.ac.uk

Navendra Modi's 2014 election generated enormous expectations in the economic sphere. However, in 2015, on the one hand, Modi was unwilling or unable to push through any «big bang» reforms; on the other hand, jobs generation – one of Modi's key electoral promises – proceeded at an excruciatingly slow pace. At the macroeconomic level, the Indian GDP grew by 7.3% during 2014/15, making India the fastest growing among the major economies. However, these data were the result of a new methodology, and most economists, including some politically close to the Modi government, were uncertain about its reliability. Moreover, when applied to the previous years, the new methodology unequivocally showed that the positive turn-around in the economy had happened before Modi's government came to power. The Indian economy was also severely affected by a deepening rural crisis. Some of its causes were beyond the reach of Modi's government, but it is a fact that its response was disappointingly inadequate. Domestic politics was a constant source of difficulty for Modi. First, state elections in Delhi and Bihar dispelled the myth of the invincibility of the Modi – and Amit Shah – led BJP which was soundly defeated by local outfits. Second, the government struggled to pass key legislation in Parliament, also thanks to the unexpectedly successful opposition of the Congress party. Finally, the most worrying development on the domestic front was the rise of intolerance against non Hindus, who were victims of Fascist-like, sometimes deadly, aggressions by Hindu outfits. This happened while the Prime Minister appeared basically unconcerned about the climate of growing violence and some members of his government went so far to openly justify this state of affairs. The aim of Modi's foreign policy was projecting India as a major power on the world stage and getting all the possible foreign help in promoting India's economic development. To this end, India's foreign policy was articulated along two main axis: the India-US connection and the India-China connection. In turn, the latter had two faces: engaging China and containing China. At the end of the day, the India-US connection was high on hype but low on content, among other reasons because the US business community, after its initial enthusiasm for Modi, had come to perceive him as well intentioned but unable to further liberalise the Indian economy. India's economic engagement with China brought about the signing of several MoUs and China's promise to invest in India. However the concrete fall-out of all this was limited. More concrete appeared the containment aspect of Modi's China policy, which, at a more general level was expression of India's strategic surge, aimed at reclaiming the position of great power.

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1. *Introduction*

In 2015, India's political, economic and even social landscape was dominated by the presence of her prime minister, Narendra Modi. In the making of political and economic strategies, Modi's role was a proactive one, the prime minister playing the role of the undisputed star on stage. In contrast, in the case of social problems, Modi appeared conspicuous for his virtually total absence from stage. Nevertheless his absence was – for all intents and purposes – as politically significant as his urge to play the dominant role when dealing with politics and the economy. At first sight, the contrast between Modi's unbound activism in the political and economic fields and his sloth and timidity when dealing with social problems may appear paradoxical. In reality, this apparent strangeness is the natural manifestation of Narendra Modi's Janus-faced political personality: on the one hand, there is Narendra Modi the statesman, the Indian super-CEO, the man who purportedly intends to modernize India and make her a world power; on the other hand there is Narendra Modi the former Rashtriya Swayamsevak Sangh (RSS) pracharak, the political leader who turned a blind eye to the 2002 pogrom against the Gujarat Muslims, the Gujarat Chief Minister who presided over the marginalization and ghettoization of the local Muslim community.

During the extraordinarily successful 2014 general election campaign, the latter aspect of Modi's personality was successfully disguised under the elegantly tailored suit of India's super-CEO to be. Nevertheless, if the super-CEO aspect of Modi's personality is undoubtedly a real one, the same is true, in the opinion of the authors of this chapter, with respect to the other aspect of Modi's personality – that of the Hindu communal leader. Accordingly, in 2015, Modi's activism, or lack of it, can be explained by his dual political and ideological personality, as a pro-business and a Hindu leader.

During 2015, both the Indian and the international press, while advancing some infrequent and timid criticism of Modi's role as a Hindu leader, by and large continued to give a very positive assessment of his role as India's super-CEO. However, as will be shown in the remainder of this article, even as India's super-CEO, Modi's performance has been much less successful than may appear at first sight.

The remainder of this article will proceed as follows: first, the economic policy implemented by the Modi's government and its (mixed) results will be analysed; then the analysis will dwell on the domestic political developments; finally Modi's over-dynamic and over-personalized foreign policy will be assessed.

2. Modi's economic policy

Modi's election generated enormous expectations in the economic sphere.¹ On the one hand, the Prime Minister was expected to put India's economy back on a path of high growth; on the other hand, he promised to create million of new jobs for what is one of the fastest growing labour force in the world.² Modi's main strategy for achieving these objectives was based on a series of economic reforms that would stimulate investments (both domestic and foreign), and on initiatives aimed at bettering the quality of India's labour force. In this section, we will first look at Modi's government's key economic reforms and the first budget it presented in February 2015; we will then analyse how and to what extent some of the key economic electoral promises – the implementation of the Goods and Services Tax, the creation of jobs, and the support of farmers' incomes – were fulfilled; finally we shall examine the data related to the growth of the economy in the year under review.

2.1. A government signalling its intention to push ahead with its reformist economic agenda...

The year 2015 started with the appointment of Arvind Panagariya, a renowned free-market economist and a professor of economics at Columbia University (New York), as the first vice-chairman, namely de facto head, of the newly established Niti Aayog, the body which replaced the Planning Commission in 2014.³ Panagariya's appointment was seen by many as a concrete sign that Modi intended to push for a programme of rapid economic reforms.

Indeed, between the end of December 2014 and the first week of January 2015, the government promulgated several ordinances on economic matters. This was a message to both investors and the opposition that the government was ready to bypass the Parliament in order to push ahead with its reform programme. In fact, during the second part of 2014, the government's attempt to pass its economic reform legislation in the Rajya Sabha had been stalled by its lack of a majority in the Upper House.

1. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', *Asia Maior 2014*, pp. 241–322.

2. Diego Maiorano, 'Early Trends and Prospects for Modi's Prime Ministership', *The International Spectator*, Vol. 50, No. 2, 2015; Michelguglielmo Torri, 'The Modi Wave: Behind the Results of the 2014 General Elections in India', *The International Spectator*, Vol. 50, No. 2, 2015.

3. 'Arvind Panagariya: A free-market economist and supporter of Gujarat model', *The Economic Times*, 5 January 2015; 'Narendra Modi appoints US-based economist Arvind Panagariya as NITI Aayog's vice chairman', *The Indian Express*, 6 January 2015. As in the case of the Planning Commission, the Niti Aayog's chairman is the Prime Minister.

The most significant ordinances were – listed in chronological order – the Coal Mines (Special provisions) second ordinance; the Insurance Laws (Amendment) ordinance; the Land Acquisition ordinance;⁴ and the Mines and Minerals ordinance.

The Coal Mines (Special provisions) second ordinance,⁵ promulgated on 26 December 2014, aimed at clearing the logjam created by an order of the Supreme Court, in September 2014, which had cancelled hundreds of coal-mining licences that had been allocated illegally.⁶ The ordinance introduced a more transparent procedure for the allocation of coal blocks, which aimed at more strictly regulating what had become a major source of corruption.⁷ The ordinance was also a first step towards liberalising the coal sector.⁸ By allocating mines to the state governments for commercial mining, the ordinance put an end to the monopoly of the centre in the sector.

The Insurance Laws (Amendment) ordinance, promulgated on 26 December 2014, hiked the Foreign Direct Investment (FDI) limit in the insurance sector from 26 to 49%.⁹

The Land Ordinance emended the Land Acquisition Act of 2013 – the last important piece of legislation enacted by the UPA2 government – by listing five new categories of projects for which land expropriation would be facilitated. In fact, for these projects – related to infrastructure, defence, and industrial corridors – prior consent from affected families and social impact assessment (SIA) would not be required.¹⁰

4. The complete name of this ordinance is The Right to Fair Compensation and Transparency in land Acquisition, Rehabilitation and Resettlement (Amendment) Ordinance.

5. The first Coal Mines ordinance had been promulgated on 21 October 2014. As ordinances are valid only for the periods when the Parliament is not in session and must be replaced by an Act in the next Parliamentary session, the Minister of Coal, Piyush Goyal, introduced a Coal Mines (Special Provisions) Bill in the Lok Sabha on 10 December 2014. However, the bill could not be enacted. Hence the government's decision to promulgate the second Coal Mines ordinance. 'All You Need to Know About Coal Mines Bill', *The New Indian Express*, 4 March 2015.

6. 'India Supreme Court Cancels Hundreds of Coal Licenses', *The Wall Street Journal*, 24 September 2014.

7. See 'The Coal and Mines (Special Provisions) Second Ordinance, 2014', *The Gazette of India*, 26 December 2014, for the full text.

8. 'India takes first step to end state coal monopoly', *Mining.com*, 12 December 2014.

9. 'The Insurance Laws (Amendment) Ordinance, 2014', *The Gazette of India*, 26 December 2014, for the full text. Other provisions later in the year raised FDI caps on the defence and railways sectors. See Milan Vaishnav, 'Modi's Reform Agenda: Change you can Believe in?' *Carnegie Endowment for International Peace*, 24 November 2015.

10. 'Union Cabinet approves amendment to Land Acquisition Act', *The Indian Express*, 30 December 2014. See 'The Right to Fair Compensation and Transparency in land Acquisition, Rehabilitation and Resettlement (amendment) Ordinance', *The Gazette of India*, 31 December 2014, for the full text.

The Mines and Minerals ordinance, promulgated on 12 January 2015, amended the 1957 Mines and Minerals Act. It aimed at removing discretion when granting mineral concessions, by making it compulsory to allot them through public auctions.¹¹

All the above ordinances were turned into legislation by the Parliament during the Budget session, with one conspicuous exception. In fact, the Land Acquisition ordinance became the object of a major political clash between the majority and the opposition. Finally – as detailed in the section on domestic policies – the government gave up the attempt to turn it into an act in August 2015, when it decided to let the ordinance lapse and accepted the requests of numerous state governments that were seeking to pass their own land laws.¹²

2.2. ... but failing to convincingly do so in the budget

In spite of the promise of a rapid implementation of key economic reforms, the 2015-16 budget – as usual presented on the last day of February – did not contain any «big bang» reforms.¹³ Rather, the government chose to follow in the footsteps of its predecessor, continuing with a «gradualist» approach.¹⁴

One of Modi's top priorities in the economic sphere was to increase capital expenditure for infrastructures. In order to do this, however, he had to find the resources without giving the impression to foreign and domestic investors that he was reversing the traditionally rather conservative fiscal policy of the Indian government.

Arun Jaitley, the Finance Minister, found the resources mainly from three sources. First, the government chose to relax its short-term fiscal deficit reduction targets, without changing the medium-term ones. This provided some (short-term) fiscal space. Second, expenditure on subsidies was cut significantly, but this reduction was entirely due to the huge fall in global crude and commodity prices. Third, the government planned to raise Rs. 69,500 crore [Rs. 695 billion] through disinvestment (i.e. the privatisation of state-owned enterprises). The latter source of resources, however, remained largely on paper, since, as of October 2015, the government had been

11. Press Information Bureau, Government of India, Ministry of Mines, *Government Promulgates the Mines and Minerals (Development and Regulation) (Amendment) Ordinance, 2015* (<http://pib.nic.in/newsite/PrintRelease.aspx?relid=114589>); 'Industry welcomes passage of Mines Bill in RS', *The Hindu*, 20 March 2015.

12. '10 states seek to have their own land laws', *Business Standard*, 16 July 2015.

13. Unless otherwise specified, factual information on the Budget is taken from two sources: *Budget 2012–2013. Speech of Arun Jaitley, Minister of Finance*, 28 February 2015; Ministry of Finance, *Expenditure Budget*, New Delhi, 2015. Both documents are available at: <http://indiabudget.nic.in>

14. Montek Singh Ahluwalia, 'Economic reforms in India since 1991: has gradualism worked?', *The Journal of Economic Perspectives*, Vol. 16, No. 3, 2002, pp. 67-88.

able to raise just Rs. 12,600 crore [Rs. 126 billion].¹⁵ Moreover, out of this sum, Rs. 9,000 crore [Rs. 90 billion] came from the selling of 90% of India Oil Corporation to another state-owned enterprise, Life Insurance Corporation of India.¹⁶ In addition, in mid November 2015, the government gave its nod to the sale of 10% of Coal India Ltd, which was supposed to fetch the government about Rs. 21,000 crore [Rs. 210 billion].¹⁷ In any case, the inability of Modi's government, despite its huge majority in Parliament, to significantly disinvest its shares of public enterprises shows how politically sensitive this issue remains.

Overall, Jaitley was not able to mobilise relevant resources for infrastructure investments. The budget for capital expenditure was raised to 1.7% of the GDP (up from 1.5% in 2014/15), which was about the same as in 2012-13 and 2013-14 when «nobody made a song and a dance about it».¹⁸

Jaitley's fiscal space was also constrained by the fact that the government, in order to fulfil its promise of fostering a more business-friendly environment, decided to cut the corporate tax rate by as much as 5 percentage points and not to implement the much hated General Anti-Avoidance Rule (GAAR)¹⁹ for another two years.

Another indication of how constrained Jaitley's fiscal space was can be seen in the very limited increase in military expenses. These were brought to Rs. 2,46,727 crore, a rise of 6.9% compared to the sum allocated in Jaitley's first budget.²⁰

Furthermore, the government, wishing to please the urban middle classes, which had so much supported Modi in the 2014 general elections,²¹ introduced a number of incentives for retirement investments, health care insurance, and financial savings and abolished the wealth tax. On the other hand, the government increased by 2% the surcharge on the super rich and marginally raised indirect taxation. Finally, what is usually called 'revenue

15. 'Listed PSUs should interact regularly with investors: DoD', *Business Standard*, 26 October 2015.

16. 'Reforms in the Freezer', *Livemint*, 30 August 2015.

17. 'Cabinet clears plethora of proposals to put economy on the fast track', *The Hindu Business Line*, 18 November 2015.

18. 'The budget, shorn of the hoopla', *Livemint*, 2 March 2015.

19. The General Anti-Avoidance Rule was introduced during the second UPA government by then Finance Minister Pranab Mukherjee in his Budget, presented on 16 March 2012, for the year starting on 1 April. GAAR had the objective to «counter aggressive tax avoidance schemes». Its major problem was that it could be applied retroactively. See '5 facts about the general anti-avoidance rule (GAAR)', *NTDV*, 7 May 2012; 'Govt delays GAAR after investor backlash', *Reuters*, 7 May 2012.

20. *Budget 2012-2013. Speech of Arun Jaitley*, § 86, p. 18. In the 2014-15 budget, the allocation for defence had been raised by 12% compared to the previous financial year. See Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', p. 292.

21. E. Sridharan, 'Class Voting in the 2014 Lok Sabha Elections', *Economic and Political Weekly*, Vol. XLIX, No. 39, pp. 72-76.

foregone' (made up of tax concessions and the relaxation of custom duties and excise) grew slightly to Rs. 5.89 lakh crore, the largest share being constituted by exemptions for the diamond and gold industries. Overall, the tax-to-GDP ratio (one of the lowest in the world)²² remained unchanged at 10.3%.

The big story of the 2015/16 Budget, however, was the rather radical restructuring of fiscal centre-state relations. Shortly before the presentation of the budget, the government accepted the recommendations of the 14th Finance Commission, which had proposed raising the states' share of central government revenues from 32 to 42%, which increased the receipts of the states by Rs. 1.41 lakh crore [Rs. 1410 billion]. However, this was matched by a reduction of Rs. 1.34 lakh crore [Rs. 1340 billion] of central government funding to state plans.²³

This restructuring of fiscal centre-state relations has several implications. Firstly, what is significant is not so much the (limited) increase in the resources transferred to the state governments, but the fact that the states were left free to spend these additional resources as they preferred. However, it should be noted that in some states (Telangana, Uttarakhand, Karnataka and Maharashtra) the availability of resources actually decreased between 3 and 20% when compared with the previous year's revised estimates.²⁴

The bulk of the reduction of the centre's assistance to the states' plans came from the reduction in the funding of Centrally Sponsored Schemes (CSS).²⁵ This decision was bound to have huge implications, in particular for the social sector, since most CSSs are welfare programmes.

The 2015-16 Budget divided the existing CSSs in three categories. First, some schemes were discontinued, among which were the Backward Regions Grant Funds, a scheme for strengthening the *panchayats*, a scheme for the modernisation of police forces, and the National e-Governance Plan. Second, 31 schemes, including the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the Sarva Shiksha Abhiyaan, and the Mid Day Meal Scheme continued to be fully funded by the central government. Third, for 24 schemes – among which the Swachh Bharat Abhiyaan, the National Health Mission, the Rashtriya Madhyamik Shiksha Abhiyaan, the Integrated Child Development Scheme (ICDS), the National AIDS and STD Control Programme, and the Rural Housing scheme – the

22. Jean Dreze & Amartya Sen, *An Uncertain Glory – India and its Contradictions*, London: Allen Lane.

23. Abhijit Sen, 'Why I am a Dissenter', *The Indian Express*, 3 March 2015.

24. Avani Kapur, Vikram Srinivas & Priyanka Choudhury, *State of Social Sector Expenditure in 2015/16*, New Delhi: Accountability Initiative, Centre for Policy Research.

25. These are programmes funded mostly by the central government, but implemented by the states, that have to respect very specific spending requirements set by the central government.

government severely reduced its budgetary commitments, leaving to the states the decisions regarding whether to keep the original budgetary allocations by using the newly allocated additional resources.²⁶

The cut in funding for these social sector programmes was particularly alarming for the schemes belonging to the third category. For example, the budget for the ICDS – India’s only programme to tackle child malnutrition²⁷ – was cut by as much as 44%. The Minister for Women and Child Development, Maneka Gandhi, in a rare expression of dissent from her own government’s policy, said that with the reduced budgetary allocation there was barely enough money to pay for the wages of the millions of health workers in charge of running the programme.²⁸ Another example was the health sector, which saw its budget reduced not only as a proportion of GDP and in real terms, but even in monetary terms.²⁹ This is likely to have disastrous consequences in the future, as recently argued by a group of scholars in the prestigious medical journal *The Lancet*.³⁰ In fact, India already had one of the lowest health budgets (as a proportion of GDP) in the entire world.³¹

Obviously, the question is to what extent the states will match the central government’s cuts with their own resources. This will depend not only on state-specific political considerations, but also on the technical capacity of the states to manage an unexpected «29 billion dollar bonanza».³² It is rather ironic that the central government, in an attempt to devolve more powers to the states, caught them completely unprepared to deal with the changed fiscal situation. Not only does it appear that the states were caught unprepared to cope with the impending changes in the funding for the social sector programmes, but the timing of the announcement of these changes (in the budget presentation speech of the Finance Minister on 28 February 2014) was particularly ill-timed. In fact, many state governments had already passed their 2015-16 budgets, whereas the central ministries were expected to approve the CSSs annual plan and budget for states within

26. ‘Budget 2015/16 in eight charts’, *The Hindu*, 1 March 2015.

27. India has one of the highest rates of undernourished children in the whole world, much higher than most Sub-Saharan African countries. The most recent available data (collected in 2014) show that as many as 38.7 % of the children under five are stunted. Ministry for Women and Child Development, *Rapid Survey on Children*, New Delhi.

28. ‘India’s budget cuts hurt fight against malnutrition: Gandhi’, *Reuters*, 19 October 2015.

29. Jean Drèze, ‘Nehruvian budget in the corporate age’, *The Hindu*, 5 March 2015.

30. Vikram Patel et al., ‘Assuring Health Coverage for All in India’, *The Lancet*, Vol. 386, No. 10011, 2015, pp. 2422-35.

31. Ankita Rao, ‘Welcome to Modicare’, *Foreign Policy*, 4 March 2015.

32. Yamini Aiyar, Avani Kapur & Vikram Srinivas, ‘How Will—Unprepared—States Handle A \$29-Billion Budget Bonanza?’, *Indiaspend*, 2 April 2015.

a few weeks. It was a situation bound to increase the states' difficulties in managing and correctly spending the central funds allocated for the CSSs. It is also worth stressing that, even in normal times, the states had tackled with difficulty the task of managing CSSs central funding, often leaving a conspicuous part of it unspent.³³

One final implication of the changed fiscal relations between the centre and the states could be a growing gap between the richest (and administratively more capable) and the poorest state. However, it is certainly a good idea, on principle, to leave the state governments with more leeway in spending centre-allocated resources, as each state has a better understanding of its own local conditions and needs. In fact, a state with notoriously low administrative capacity, Bihar, has been able, in recent years, to dramatically improve its implementation capacity of state-designed schemes.³⁴

2.3. *The unsuccessful attempt to push through the Goods and Service Tax bill*

Another important piece of legislation that encountered substantial difficulties was the Goods and Service Tax (GST) bill. The reform of indirect taxation is a long-time demand of India's business groups. In fact, each state has its own regulations, which makes it difficult to move goods and services across state borders, inflates costs and causes severe delays. The 2015 GST bill aimed at replacing this chaotic structure with a national goods and services tax, getting rid, in the process, of at least 14 federal and state levies, which often resulted in double taxation, pushed up the average burden for all goods at about 30% of the cost, going, in a few cases, as high as 50%. Moreover, the necessity to collect these taxes caused considerable delays in the movement of goods, as the trucks transporting them had to spend nearly a quarter of their road time going through border checks and being subjected to other inspections.³⁵

In spite of the evident drawbacks of the prevailing situation, the bill faced strong opposition both by the states and the Congress party. Indeed, the latter went out of its way to oppose the bill, in spite of the fact that it had supported the imposition of GST legislation in the past. But the most significant source of opposition came from the state governments, which feared losing part of their revenues. This was a main stumbling block, as the support of the states was crucial not only for passing the bill in the Upper House, but also because, in order to become operational, the GST law had to be ratified by at least half of them.

33. *Ibid.*

34. Avani Kapur, 'Lessons from the Bihar model of development', *Business Standard*, 12 November 2015. Unfortunately, as noted by Kapur, Bihar's ability to implement centre-designated schemes remains low.

35. 'Business groups turn sceptical on Modi's landmark reform', *Reuters*, 2 July 2015.

It was precisely to assuage the opposition from the states that the government agreed to a 1% additional new toll by states for goods crossing the internal borders, even in cases when the same company was shipping its own products from one of its plants to another. Moreover, the GTS bill did not extend to real estate, leaving companies still subjected to state taxes on plants and properties, possibly including machinery. Again this was not an oversight, but the result of the fact that these kinds of taxes were one of the major financial sources for the states.³⁶ This being the situation, it does not come as a surprise that, once the GST bill was introduced in Parliament, India's business community reacted with considerable disappointment. In fact, it pointed out that the bill could result in an increase in taxation rather than in its diminution, creating a situation in which, according to an anonymous senior executive at a major steelmaker, «it would be easier for businessmen to import rather than manufacture goods in the country».³⁷

The business community opposition, however, was not a compact one. In fact, a report by the Confederation of Indian Industry (CII) argued that, if implemented well, the proposed legislation would significantly lower logistic costs.³⁸ In any case, the government failed to implement the bill on 1 April 2016, as promised.³⁹

Overall, at the end of the period under review it appeared that the impression (and hope) that Modi would push through a set of epochal economic reforms was inaccurate. Both institutional constraints (in particular the BJP's lack of control of the Upper House) and political considerations (in particular the BJP's fear of being depicted as anti-farmer and anti-poor) resulted in the continuation of India's long-established gradualist approach to economic reform. Modi himself has indeed acknowledged the path of reforms is a «marathon» rather than a «sprint».⁴⁰

2.4. *Attracting additional foreign direct investments (FDI)*

A main preoccupation moulding the economic policies of the Modi government has been attracting FDI, particularly through its «Make in India» campaign. Although what the Make in India campaign entails in terms of concrete policy has never been totally clear,⁴¹ it appears that, on the one

36. *Ibid.*

37. *Ibid.*

38. 'GST will result in logistics cost cut: Report', *The Economic Times*, 30 October 2015. However, the CII «suggested removing the provision for interstate levy». See 'Business groups turn sceptical on Modi's landmark reform'.

39. 'Govt to meet with states on Monday over GST logjam', *The Indian Express*, 22 October 2015.

40. 'Path of reforms is not a «print» but a «marathon»: Modi', *Business Standard*, 6 November 2015.

41. 'One year on, Modi government has proved its critics wrong', *Scroll.in*, 16 May 2015. Please see the next section for further details on the Make in India campaign.

hand, the government instructed its officials to expedite business activity-related processes and procedures, while, on the other hand, a few small but important administrative changes made it easier to start and conduct business. This strategy was not totally devoid of results; in fact in the latest World Bank's *Doing Business Report*, India moved up twelve positions in the «ease of doing business» ranking.⁴² This was mainly due to easier and faster procedures for obtaining an electricity connection and starting a new business.⁴³ Although there was still a long way to go – India was ranked 130th out of 189 countries – the direction of change was certainly positive and showed that Modi's battle against red tape was starting to pay off. It is also significant that the conclusions of the World Bank's report, based on data collected in Delhi and Mumbai, were strengthened by the government's own data. These suggested that states such as Gujarat, Rajasthan, Chhattisgarh, Madhya Pradesh, and Odisha had recently made important steps forward in reducing unnecessary business regulations.⁴⁴ It is thus possible that the all-India picture might be better than the World Bank report suggested. It is also worth stressing that the 2015 *Doing Business* report is based on data collected up to June 2015; accordingly, it does not take into account a number of changes introduced after that date. The post-June 2015 data, which will be shown in the 2016 report, are likely to positively impact on India's ranking.

Once all this is said, it is necessary to stress that data on investment flows do not offer a clear picture of the impact of these measurers. On the one hand, FDI have indeed been increasing. In September, *The Financial Times* reported that India was then ahead of both China and the United States as the most favoured destination for FDI.⁴⁵ On the other hand, Gross Fixed Capital Formation (GFCF) data do not indicate any dramatic surge of investment levels. Similarly, data from the Department of Industrial Policy and Promotion do not show any significant revival in investment trends.⁴⁶ On a more positive note, data show that the lion's share of new investments are in the manufacturing sector, whose growth was one of the key objectives of the «Make in India» campaign.⁴⁷ When all the above is taken into account, it is necessary to

42. The World Bank has introduced a new method for calculating the ranking. If the new methodology is applied to last year's data, then India moved up by four positions only. 'A pat on the back, but buck up and carry on: Kaushik Basu', *The Hindu*, 28 October 2015.

43. *Doing Business 2016: Measuring Regulatory Quality and Efficiency*, Washington DC: The World Bank 2015. <http://www.doingbusiness.org/data/exploreconomies/india>

44. 'The long battle against red tape', *Livemint*, 28 October 2015.

45. 'India grabs investment league pole position', *The Financial Times*, 29 September 2015.

46. 'Broad-based revival in investment cycle remains elusive', *Business Standard*, 19 November 2015.

47. 'No resolution to stalled projects', *Livemint*, 1 October 2015.

point out that, after a few quarters of significant progress in the unblocking of stalled projects, there has been an inversion of the trend. At the end of the quarter ending in September 2015, the stock of stalled projects amounted to Rs. 9.9 trillion, up from Rs. 8.8 trillion of the previous quarter.⁴⁸

2.5. *Creating jobs at an excruciatingly slow pace*

Apart from the pledge to reboot the economy through a sustained programme of economic reforms, the other key promise of Modi's 2014 electoral campaign was that of creating jobs. During his prime ministership, Modi has attempted to fulfil this electoral pledge by pursuing two strategies: the already quoted «Make in India» Campaign and an ambitious programme for skills development.

The Make in India campaign was announced with great hype shortly after the 2014 elections.⁴⁹ The objective of the campaign was to increase the share of the (supposedly labour-intensive) manufacturing sector from 15 to 25% of the GDP by incentivising both foreign and domestic investments. However, as has already been pointed out, the data related to FDI and domestic investment are not such as to paint a picture of any clear-cut success. Moreover, at the time of writing (December 2015) the available data showed that during the first year of Modi's government, job creation had been rather slow.⁵⁰ This is in line with recent trends. According to a recent working paper published by the Indian Council for Research on International Economic Relations, employment generation in the manufacturing sector has been growing at an excruciatingly slow pace: between 1990/2000 and 2011/12 only 1.4 million jobs were created per year, as against an estimated increase of the workforce of 7-8 million young people per year.⁵¹ Furthermore, according to the latest available Annual Survey of Industries, India's manufacturing sector is highly (and increasingly) capital intensive, thus reducing future prospects for generating jobs.⁵² Summing up, given the capital-intensive nature of India's economic growth and the absence of any meaningful corrective to this, it seems very unlikely that Modi will be able to meet his voters' expectations in this regard.

As noted above, Modi's second strategy to boost job creation was the introduction of an ambitious new skill-development programme, aiming to

48. Pranjul Bhandari & Srinivas Prithviraj, *India Economic Comment*, HSBC Global Research, October 2015.

49. See also Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', pp. 297-298; and Diego Maiorano, 'Early Trends and Prospects for Modi's Prime Ministership', p. 77.

50. 'Manufacturing job growth remains under stress', *Business Standard*, 20 October 2015.

51. Radhicka Kapoor, 'Creating jobs in India's Organised Manufacturing Sector', *ICRIER Working Paper*, No. 286, New Delhi 2014.

52. 'Modi's Big Make-in-India Problem: Fewer Factory Jobs', *Indiaspend*, 14 January 2015.

render no less than 402 million people skilled between 2015 and 2022.⁵³ This is potentially an extremely important policy initiative, as, paradoxically enough in a context of prolonged jobless growth,⁵⁴ India's entrepreneurs struggle to find qualified workers.⁵⁵ This comes as no surprise if one bears in mind that only 4% of India's workforce has received any formal training.⁵⁶

The previous UPA government had launched its own National Skill Policy in 2009, but very little was achieved. At the time of writing it is not possible to say in what respects the new policy differs from the old one. What seems clear is that officials in the newly established Ministry of Skill Development and Entrepreneurship hardly appear confident about the success of the new initiative.⁵⁷

2.6. *The continuing rural crisis*

2.6.1. *The long term and contingent causes of the rural crisis*

The poverty of India's primary sector has been a major economic problem since the colonial period. After independence the situation has improved, but only up to a point. Anyway, the economic reforms launched in 1991 ended a period of relatively high public investments in the rural sector, which had started with the launch of the Green Revolution in the mid-1960s. Not very surprisingly, but against the expectations of India's policy makers, private investments, also because of a series of legal norms that make agriculture a very risky business,⁵⁸ did not compensate for the decreasing intervention of the state in the primary sector. During the UPA

53. 'Employment generation, skill development top priorities: Narendra Modi', *Livemint*, 16 July 2015.

54. Sonia R. Bhalotra, 'The puzzle of jobless growth in Indian manufacturing', *Oxford bulletin of economics and statistics*, Vol. 60, No. 1, 1998, pp. 5-32; Michele Alesandri, 'Jobless growth in Indian manufacturing: A Kaldorian approach', CEFIMS Discussion Paper 99, London, 2009.

55. 'Widespread Skill Gaps Revealed Among Indian Workers', *Indiaspend*, 14 September 2015; 'India Graduates Millions, but Too Few Are Fit to Hire', *The Wall Street Journal*, 5 April 2011.

56. 'The nuts and bolts of skill development', *The Hindu*, 23 March 2015.

57. 'Uphill task for Skill India mission', *The Hindu*, 23 September 2015.

58. These were listed by *The Economist* as «sudden spikes in food prices», caused by erratic impositions of export bans both by the central and state governments and by the operation of a 1955 law «that bans the storage of large quantities of any of 90 commodities, including onions and wheat». This was compounded by the fragmentation and distortion of the domestic market, caused by the restrictions in fruit and vegetable trade imposed by the states' Agricultural Produce Marketing Committees. These restrictions, which sometimes fragmented even the market inside a single state, had the paradoxical result of making it sometimes easier and cheaper to buy those same products abroad. See 'In a time warp', *The Economist*, 27 June 2015.

1 and 2 governments, a number of anti-poverty policies were introduced, the most significant among them being the MGNREGA. This, together with robust economic growth throughout the period, had a significantly positive effect on the rural areas in general, and on poverty reduction in particular.⁵⁹ However, the most recent data indicate that the rate of growth of farm income declined in 2015 and that non-farm income in rural areas «remained flat at best».⁶⁰

As a result of the above listed long-term problems, Indian agriculture in the period under review presented a dismal enough picture. Data released by the National Sample Survey Organisation (NSSO) at the end of 2015 indicated that nearly 70% of farmers subsisted on farm holdings which were economically unviable, being less than a hectare in size. Not surprisingly, over one-fifth of farm households did not report farming as the primary source of their income, but rather salaried employment. An additional 44% had to supplement their limited income by seeking work under the MGNREGA.⁶¹ Finally, according to government data for the year 2014, 52% of India's agricultural households were indebted.⁶²

What made this gloomy agricultural situation particularly worrying was the fact that, although farming accounted for only 15% of India's US\$ 2 trillion economy, it still provided a livelihood to some 60% of its 1.25 billion people.⁶³ This means that the situation of the rural sector was bound to heavily impact the general state of the Indian economy. As explained to Narendra Modi by «some prominent billionaires» whom he met with in September 2015, falling rural demand for goods such as television sets, motorcycles,

59. The data of the second round of the Human Development Survey shows that growth during the UPA regime was indeed inclusive and that the MGNREGA alone prevented 14 million households from falling into poverty. See Sonal Desai, Prem Vashishtha & Omkar Joshi, *Mahatma Gandhi National Rural Employment Guarantee Act – A Catalyst for Rural Transformation*, New Delhi: National Council of Applied Economic Research, 2015.

60. The above was the conclusion of a survey carried out by the brokerage firm J.M. Financial. See 'Why higher govt spending is crucial to contain rural distress', *First Post*, 16 November 2015.

61. 'Rural distress intensifies', *Business Standard*, 9 December 2015.

62. Press Information Bureau, Government of India, Ministry of Statistics & Programme Implementation, *Key Indicators of Situation of Agricultural Households in India*, 19 December 2014 (<http://pib.nic.in/newsite/PrintRelease.aspx?relid=113796>).

63. Govt. of India, Ministry of External Affairs, Investment and Technology Promotion Division, India in Business, *Agriculture*, October 2015 (http://indiaibusiness.nic.in/newdesign/index.php?param=economy_landing/213/2); IBEF – India Brand Equity Foundation, *Indian Agriculture Industry: an overview*, March, 2016 (<http://www.ibef.org/industry/agriculture-india.aspx>). See also: Ajeet Kumar, 'Budget 2015: The need for an overhaul in Indian agriculture sector', *Zee News*, 28 February 2015; Rajendra Jadhav & Mayank Bhardwaj, 'For Modi's year-old government, storm brewing in rural India', *Reuters*, 15 May 2015;

and tractors was bound to adversely effect Indian industrial production and the whole Indian economy.⁶⁴

In the period under review, the long-term problems afflicting Indian agriculture were compounded by a series of contingent but momentous events. These events were of two main kinds: natural and related to the global economic situation.

In 2014, El Niño – the climatic phenomenon caused by the exceptional warming of the Pacific Ocean, which causes droughts in large swathes of the globe and excessive rains and floods in others – started to manifest itself once again.⁶⁵ As a consequence, in India, rains were 12% below normal, which caused a 4.7% diminution in grain production in the twelve months ending in June 2015. This was followed by a worsening of the climatic situation, characterised by «unseasonal rains that damaged India’s winter harvest in March and April»,⁶⁶ followed by monsoon rains 14% below par in June-September 2015.⁶⁷ As a consequence, according to the Indian Meteorological Department, already in October 2015 nearly half of the Indian districts – a total of 320 – had been afflicted by a deficiency in rainfall of at least 20%.⁶⁸ Considering that roughly half of India’s cultivated land lack irrigation, this could have disastrous consequences.⁶⁹ In fact, an in-depth drought impact assessment conducted during the Summer months of 2015 by the Swaraj Abhiyan in seven districts in southern Uttar Pradesh – one of the drought worst hit states – suggested that «the drought may well be a famine».⁷⁰

An additional natural event that adversely affected the rural production of perhaps the best irrigated state in India, namely Punjab, was the whitefly infestation of cotton. This happened in spite of the fact that the local cotton, the Bt type, is supposedly pest-resistant. In November 2015,

64. Zia Haq & Gaurav Choudhury, ‘India’s rural crisis, slowed farm growth may hurt 7.5% GDP dream’, *Hindustan Times*, 10 October 2015.

65. On the El Niño or ENSO climatic oscillations and their consequences, see Mike Davis, *Late Victorian Holocausts. El Niño Famines and the Making of the Third World*, London: Verso, 2001, particularly part III.

66. ‘Rural distress worsens across India’, *LiveMint*, 1 December 2015.

67. Mayank Bhardwaj & Rajendra Jadhav, ‘Modi fiddles as drought shrivels India’s crops’, *Sustainability*, 9 September 2015 (<http://sustainability.thomsonreuters.com>).

68. ‘India’s drought burden’, *LiveMint*, 29 October 2015.

69. ‘In a time warp’, *The Economist*, 27 June 2015.

70. Devanik Saha, ‘Bundelkhand Survey Paints a Dire Picture of Rural Distress’, *The Wire*, 27 November 2015. The Swaraj Abhiyan is a declaredly apolitical organization founded on 14 April 2015 by Yogendra Yadav and Prashant Bhushan, after their expulsion from the Aam Aadmi Party, which has mainly been engaged in the defence of farmer rights. The drought impact assessment in southern U.P. was conducted with the help of the well-know Belgian-born economist Jean Drèze in the districts of Jhansi, Jalaun, Lalitpur, Chitrakoot, Banda, Hamirpur and Mahoba. See the Swaraj Abhiyan official site: <http://www.swarajabhiyan.org>.

according to a Press Trust of India report, Punjab's cotton output was likely to shrink by 40%.⁷¹

The climatic difficulties were coupled with difficulties related to the global economy, which resulted in an 11% fall in India's farm exports in the October 2014–March 2015 crop season.⁷² Moreover, international factors adversely affected the production of a number of Indian crops. In particular, cotton and non-basmati rice exports were affected by China's decision to put an end to cotton stockpiling and by Thailand's decision to diminish its rice stocks, respectively.

Indian sugar was made uncompetitive in the international market by the decline in world sugar prices, caused by the devaluation of the real, the currency of Brazil, the world's main sugar producer; Indian sugar, soy, barley and basmati, formerly bought at a premium by an Iran hemmed in by world sanctions, after the easing of such sanctions started to be substituted by less expensive goods produced by other countries; the fall in global crude oil prices, on the one side, had an adverse effect on the competitiveness of Indian grains and oilseeds used for biofuels and, on the other side, by cutting down freight costs, made South America-produced soy and corn competitive in the Indian market. Last but not least, the strength of the rupee during the year under review put Indian exports at a disadvantage and favoured imports.⁷³

2.6.2. *The Modi government's slow response to the rural crisis*

In May 2014, the BJP manifesto had promised that farmers would earn a 50% profit over their total input costs.⁷⁴ Although often repeated by Modi during the electoral campaign, once the new government was in place, this particular electoral promise seems to have rapidly been forgotten. This, it seems, happened as a consequence of the advice of two influential neoliberal economists: Dr. Arvind Subramanian (Chief Economic Advisor (CEA) to the Government of India since October 2014) and Dr. Arvind Panagariya (as already mentioned, the vice-chairman of the Niti Aayog).⁷⁵ In November 2014, both Subramanian and Panagariya warned the Indian Government that higher agricultural procurement prices could trigger a surge in inflation.⁷⁶ As a consequence, the minimum government support price for sta-

71. 'Why higher govt spending is crucial to contain rural distress'.

72. Rajendra Jadhav & Mayank Bhardwaj, 'For Modi's year-old government, storm brewing in rural India', *Reuters*, 15 May 2015.

73. *Ibid.*

74. 'Farmers' Plight Caused BJP Debacle in the Rural Gujarat Panchayat Polls', *The Wire*, 3 December 2015.

75. M.K. Venu, 'Indian Farmer is Suffering and Desperately Needs Help', *The Wire*, 24 September 2015.

76. *Ibid.*

ples – in particular wheat and rice – was cut, badly affecting the level of rural incomes.⁷⁷

In the analysis of *The Economist*, although the above decision «was the right move, and has since helped bring down inflation», it, nevertheless, «should have come with more transitional support for farmers hurt by the adjustment».⁷⁸ On top of that, after the decision was taken, soft commodities prices⁷⁹ crashed, making the situation desperate for Indian farmers.⁸⁰ The most glaring indication of the increasing desperation of the Indian farmers was the sudden raise in farmers committing suicide, which has been reported with increasing frequency by the domestic press.⁸¹

In this situation, even some economists close to the government started to express their concern. In the words of agricultural economist and advisor to the Niti Aayog on agriculture, Dr. Ashok Gulati, the situation was «so grim» that, without «a sustained incentive structure for the farmers, India could slip back to the era of food shortages experienced in the 1960s».⁸² For his part, D.H. Pai Panandiker, president of the Mumbai-based RPG Foundation, which houses a macroeconomic policy think-tank, expressed the fear that, considering the challenging agricultural situation, farm output in the 2015-16 fiscal year could shrink «by as much as 4 per cent, which would be the first [agricultural output] contraction since 2002/03».⁸³

Strangely enough, the response of the Modi government to this situation was slow and not commensurate with the increasing gravity of the situation. The consequences of this lack of attention was that, during the year under review, no well thought-out and comprehensive strategy aimed at remedying the many ills affecting Indian agriculture was ever conceived, and much less implemented. What was to be implemented were a set of piecemeal ad hoc decisions, which could not but be judged, particularly by those affected by the deepening agrarian crisis, except as examples of «too little, too late» stopgap remedies.

The most important of these ad hoc remedies was the decision to moderately increase the minimum support prices (MSP) for grains and pulses. In addition, the central government raised the compensation for crop da-

77. 'In a time warp'.

78. *Ibid.*

79. The term «soft commodities» generally refers to commodities that are grown, rather than mined.

80. M.K. Venu, 'Indian Farmer is Suffering and Desperately Needs Help'.

81. Indeed, in 2015 the phenomenon of farmer suicides once again became conspicuous enough to attract the attention of non-Indian press. See, e.g., 'India's shocking farmer suicide epidemic', *Al Jazeera*, 18 May 2015.

82. M.K. Venu, 'Indian Farmer is Suffering and Desperately Needs Help'.

83. 'Rural economy may contract for first time in 10 years as drought looms', *Business Today*, 15 June 2015.

mage and set more generous rules for claiming it.⁸⁴ Moreover it asked state governments to draw from the more than US\$ 1 billion allotted to the State Disaster Response Fund, for which the centre provides 75% of the funds, and raised compensation by 50% for farmers suffering crop losses. At the same time, quality requirements for wheat purchases by state agencies were lowered, import taxes on rubber and sugar were lowered, and raw sugar exports promoted through an incentive.⁸⁵

However, in practical terms, these apparently generous provisos were gravely insufficient. Even when compensation reached the farmers – which depended on a set of circumstances, including the decision of the particular states to declare a situation of drought and the farmers being the owners of the damaged land and being indebted with a bank – they covered less – sometime considerably less – than a fifth of the damage.⁸⁶

As far as the suicides of farmers were concerned, compensations were provided to the families. But the rules for allowing these compensations varied from state to state, were more or less restrictive⁸⁷ and, once again, insufficient to provide for the bereft families.⁸⁸

More generally, what was striking in the government's response was not only – as noted above – the complete lack of a general well-thought out plan to cope with the mounting rural distress, but the lack of willingness to fully make use of the instruments already available. In the words of Harsh Mander, a former district collector and present human rights activist, who reported his impression after visiting the rural district of Banda (U.P.): «The response of state administration to looming drought is disgracefully dismal and listless, lacking entirely in both urgency and compassion. People showed us empty job cards; public works under the MGNREGA, the most effective instrument to prevent distress migration, were nowhere to be found. Wages from earlier work had not been paid for over a year. Even more gra-

84. 'Narendra Modi promises higher compensation for farmers hit by unseasonal rains', *LiveMint*, 9 April 2015.

85. Rajendra Jadhav & Mayank Bhardwaj, 'For Modi's year-old government, storm brewing in rural India'.

86. 'For drought-hit farmers, higher compensation still a pittance', *LiveMint*, 2 November 2015.

87. E.g., in eight Maharashtra districts, which, in the year under review up to 27 December had registered 1,109 suicides, the families of only 698 among them were eligible for government compensation. '112 distressed farmers commit suicide in a month in drought-hit Marathwada', *The Indian Express*, 29 December 2015. This was sometimes caused by the fact that, in cases of suicide by poisoning, the authorities could indicate the death as due to «natural causes». Zigor Aldama & Miguel Candela, 'India's Deadliest Epidemic', *The Diplomat*, 20 October 2015. See also 'Maharashtra farmer suicides: 50% of kin denied relief', *Times of India*, 9 February 2015.

88. In certain cases, the decision of some states to hike the compensation for the families of farmers who had committed suicide was criticized as conducive to encouraging more suicides. 'Farmer suicides: Telangana govt hikes compensation', *The Week*, 20 September 2015.

vely, neither the Central nor the state government is serious about rolling out the National Food Security Act that should lawfully have commenced a year and a quarter ago. It would have ensured the availability of half of each household's monthly cereal requirements almost for free for more than 80 per cent of households». ⁸⁹

When all this has been noted, it is worth stressing that, as noted by Harsh Mander himself, the callousness of the central and most state governments as far as the plight of the rural population was concerned was accompanied by – and possibly was a function of – the indifference of the educated public with respect to this problem. In fact, the abundance of quotations concerning the rural population's plight present in this chapter should not conceal the fact that, as a rule, the attention given by the Indian media to this issue has been minimal and erratic. ⁹⁰ As noted once again by Harsh Mander: «Farmers and landless workers in 11 states are crashed by drought, often for three years in a row, but if you scan newspapers and television screens, debate in Parliament and meetings in state secretariats, it would appear that this is a figment of some imagination». «This, indeed, – concluded Mander – is what some senior journalists and officials said to me, or implied – that we are inventing a story of drought hunger». ⁹¹

2.7. Macroeconomic Performance

2.7.1. A positive U-turn in the GDP rate of growth?

In spite of the mixed success of the economic policies listed above, during the year under review the macroeconomic indexes appeared to experience an impressive improvement. Consumer price inflation, which had been a major problem in the UPA-2 years, was put under control, as shown in chart 1 and table 1. This was mainly due to the already mentioned steep decline of the oil price at the global level. ⁹² As a consequence, the Reserve Bank of India (RBI) significantly cut interest rates, a move that was welcomed by the business community. ⁹³

89. Harsh Mander, 'The invisible drought', *The Wire*, 8 February 2016.

90. The situation still remains very much the same as that described in Vipul Mudgal, 'Rural Coverage in the Hindi and English Dailies', *Economic and Political Weekly*, Vol. XLVI, No. 35, 27 August 2011, pp. 92-97. According to Mudgal's study of each three of India's highest circulated English and Hindi dailies, the proportion of their total coverage related to rural India's issues, crises, and anxieties was minuscule, being equal to about 2%.

91. *Ibid.*

92. 'Dear Mr Jaitley, it's time to get real – about real reforms', *scroll.in*, 13 September 2015.

93. 'Raghuram Rajan Does', *The Hindu Business Line*, 29 September 2015.

Chart 1 - Monthly Inflation in India 2015, CPI (Consumer Price Index) The average inflation of India in 2015 = 5.88%⁹⁴

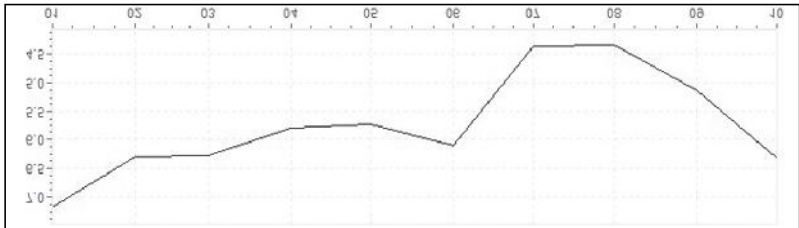


Table 1 - 2015 inflation India (CPI)

Inflation (monthly basis)	Inflation %	Inflation (yearly basis)	Inflation%
Jan 2015 - Dec 2014	0.40	Jan 2015 - Jan 2014	7.17
Feb 2015 - Jan 2015	-0.39	Feb 2015 - Feb 2014	6.30
Mar 2015 - Feb 2015	0.40	Mar 2015 - Mar 2014	6.28
Apr 2015 - Mar 2015	0.79	Apr 2015 - Apr 2014	5.79
May 2015 - Apr 2015	0.78	May 2015 - May 2014	5.74
Jun 2015 - May 2015	1.16	Jun 2015 - Jun 2014	6.10
Jul 2015 - Jun 2015	0.77	Jul 2015 - Jul 2014	4.37
Aug 2015 - Jul 2015	0.38	Aug 2015 - Aug 2014	4.35
Sep 2015 - Aug 2015	0.76	Sep 2015 - Sep 2014	5.14
Oct 2015 - Sep 2015	1.13	Oct 2015 - Oct 2014	6.32
Nov 2015 - Oct 2015	0.37	Nov 2015 - Nov 2014	6.72
Dec 2015 - Nov 2015	-0.37	Dec 2015 - Dec 2014	6.32

Inflation rates in the table are presented both on a monthly basis (compared to the month before) as well as on a yearly basis (compared to the same month the year before).⁹⁵

94. Inflation.eu Inflation India 2015 (<http://www.inflation.eu/inflation-rates/india/historic-inflation/cpi-inflation-india-2015.aspx>).

95. Inflation India 2015, *Inflation.eu* (<http://www.inflation.eu/inflation-rates/india/historic-inflation/cpi-inflation-india-2015.aspx>).

As far as the real GDP (Gross Domestic Product) is concerned, official government data unveiled on 9 February 2015 showed that India had become the fastest growing country among the major economies, overcoming China,⁹⁶ a success that was much celebrated by the Indian media. However, the Indian media rarely pointed out that, at the end of the day, China's economy was still four times the size of India's and that, as noted by Ashish Kumar, director general of the Indian Central Statistics Office, if India continued to grow at the same speed as in 2014-15 and China continued to perform at the lower level of the last few years, «then still it will take 20 to 30 years [for India] to catch up [with China]».⁹⁷

Once this has been pointed out, it remains the fact that, according to the official data, the rate of growth of India's real GDP (Gross Domestic Product) was equal to 7.3% in the fiscal year 2014-15 and to 7.25% for the calendar year 2015.⁹⁸ The quarterly growth from October 2014 to December 2015 is given in Table 2.

Table 2 - Growth of the real gross domestic product (GDP) from 3rd quarter 2014 to 3rd quarter 2015 (compared to the same quarter of the previous year)⁹⁹

Q3 2014 October-December	Q4 2014 January-March	Q1 2015 April-June	Q2 2015 July-September	Q3 2015 October-December
8,4%	6,6 %	7.5%	7%	7.4%

Source: *Statista – The Statistics Portal*

(<http://www.statista.com/statistics/276947/gross-domestic-product-gdp-growth-in-india-by-quarter>)

At first sight the growth in the six quarters ending with October-December 2015 represents a radical U-turn when compared to the sluggish rate of growth of the UPA-2 period (given in Table 3).

96. 'India Passes China to Become Fastest-Growing Economy', *IndiaRealTime, The Wall Street Journal*, 11 February 2015.

97. *Ibid.*

98. 'India's economy grew at 7.3 per cent in 2014-15 fiscal', *The Indian Express*, 30 May 2015; 'GDP Growth of India', *Statistics Times*, 24 August 2015; India: 'Real gross domestic product (GDP) growth rate from 2010 to 2020 (compared to the previous year)', *Statista – The Statistics Portal* (<http://www.statista.com/statistics/263617/gross-domestic-product-gdp-growth-rate-in-india>).

99. Economic Survey 2013-14 (<http://indiabudget.nic.in>), pp. 1-3; Interim Budget 2014-2015. Speech of P. Chidambaram, Minister of Finance, 17 February 2014, § 14.

Table 3 - The GDP rate of growth during the UPA-2 government according to the old methodology

Financial year	2009-10	2010-11	2011-12	2012-13	2013-14
GDP rate of growth	8,6	9,3%	6,2%	5%	4.9%

However, the rosy picture given by the above data needs some qualifications. The first is that the new figures were the result of a new methodology plus a change in the base year from 2004-05 to 2011-12.¹⁰⁰

Here, the first problem is that most economists – including RBI governor Raghuram Rajan and the Narendra Modi government's new CEA Arvind Subramanian – were clearly uncertain about the reliability of the «incredible (in both senses of the word) new numbers».¹⁰¹ Accordingly, Raghuram Rajan appeared unwilling «to take a strong view» based on the updated data.¹⁰² For his part, Arvind Subramanian pointed out that the new figures were «mystifying because these numbers, especially the acceleration in 2013-14 [when, according to the new methodology, the GDP rate of growth was 6.9%, instead of 5%, as shown by the old methodology], are at odds with other features of the macroeconomy».¹⁰³ As explained by Subramanian: «The year 2013-14 was a crisis year – capital flowed out, interest rates were tightened and there was consolidation – and it is difficult to understand how an economy's growth could be so high and accelerate so much under such circumstances».¹⁰⁴

A second (political) problem with the new methodology, implicitly highlighted in the above quoted CEA's remarks, was that, when applied to the rate of growth during the UPA-2 government years, it unequivocally showed that the positive turn-around in the economy had happened *before* the Modi's government came to power, as shown in Table 4.

100. 'India's Passes China to Become Fastest-Growing Economy'; 'GDP growth estimated at 7.4% for 2014-15, Oct-Dec growth at 7.5%', *The Times of India*, 10 February 2015; 'New GDP methodology «puzzling», shows growth in bad year: CEA', *The Times of India*, 27 February 2015.

101. 'Even the RBI's Rajan [sic] is Confused by India's New GDP Numbers', *IndiaRealTime*, *The Wall Street Journal*, 3 February 2015. Significantly the RBI kept its forecast for GDP growth for the fiscal year 2014-15 at 5.5% «and, notably, continued to report the forecast using the old base year». See also 'New GDP methodology «puzzling», shows growth in bad year: CEA'; 'Don't rush in using new GDP data for policies: Arvind Subramanian', *Business Standard*, 3 February 2015.

102. *Ibid.* Also 'New GDP methodology «puzzling», shows growth in bad year: CEA'.

103. 'Don't rush in using new GDP data for policies: Arvind Subramanian'.

104. *Ibid.*

Table 4 - Growth of the real gross domestic product (GDP) in India from 2010 to 2015¹⁰⁵

2010	2011	2012	2013	2014	2015
10.26%	6.64%	5.08%	6.9%	7.29%	7.26%

At the end of the day, the credit for the positive U-turn of the Indian economy must either go to the Central Statistical Organization, which revised the national statistics in January 2015,¹⁰⁶ or to the policies implemented during the last phase of the UPA 2 government. Most probably – as noted, among others, by the authors of this chapter – the economic recovery had indeed started during 2014,¹⁰⁷ but the extent of this recovery has been amplified by the new GDP methodology.

2.7.2. *The economy beyond the GDP*

Should the official GDP data be taken at face value, the conclusion would be that the economic situation could not but be considered a quite positive one. This being the situation, one would expect a quite optimistic outlook on the part of the general public and, particularly, the business community. This, however, was not the case. As noted by Harvard educated Indian economist Mohan Guruswamy: «Whenever and wherever business people meet, the conversation invariably veers to flattening sales and falling profits despite the government crowing that the real GDP is growing at 7.4%».¹⁰⁸ This negative perception was shared by credit rating agency Standard & Poor's, which refused to change India's credit rating from just above «junk».¹⁰⁹

According to Guruswamy, the discrepancy between, on the one side, the image of the economy conveyed by the official data and, on the other, the perception on the part of business people and credit rating agencies such as Standard & Poor's can be explained by the nature of the macroeconomic data employed by the Indian government. According to Guruswamy, even if the official data were recognized as correct, a major problem in accepting them as an accurate image of India's economic reality was related to

105. Statista – The Statistics Portal (<http://www.statista.com/statistics/263617/gross-domestic-product-gdp-growth-rate-in-india>).

106. T.T. Ram Mohan, 'A Reality Check for Modi on the Economy', *The Wire*, 11 May 2015.

107. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', pp. 287-289.

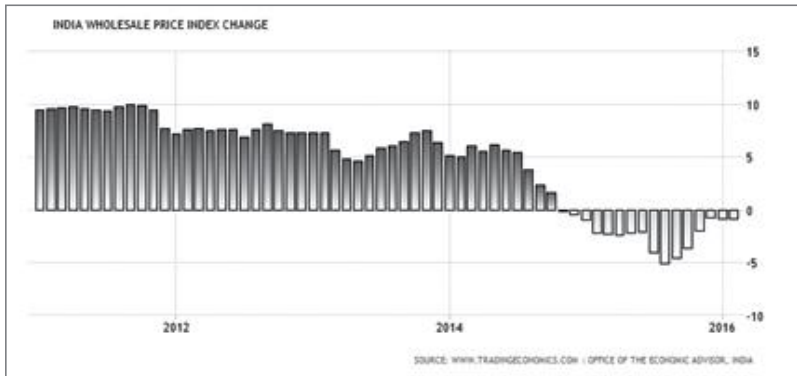
108. Mohan Guruswamy, '2015 has been a year of economic gloom for India. Just look at the numbers', *Scroll.in*, 7 December 2015.

109. 'Wake up call from S&P', *The Financial Express*, 21 October 2015.

the discrepancy between the *real* GDP rate of growth (taken into account in the official data) and the *nominal* GDP rate of growth.¹¹⁰ It is on the basis of the latter that most economic decisions are taken both by businessmen and individuals and families.¹¹¹

Here the problem was that, in the 2015 calendar year, the Wholesale Price Index (WPI) declined below zero for the whole period (see charts 2 & 3), a trend which had begun in November of 2014. More precisely, the WPI declined by 0.90% year-on-year in January of 2016, as compared to a 0.73% drop in December.¹¹² In other words, beginning in November 2014, the Indian economy entered a period of deflation.¹¹³

Chart 2 –India’s Wholesale Price Index 2011-15¹¹⁴



110. The nominal rate of growth indicates the rate of growth at the current prices; the real rate of growth is calculated by discounting the rate of inflation from the nominal rate of growth. As a consequence, usually the nominal rate of growth is bigger than the real rate of growth.

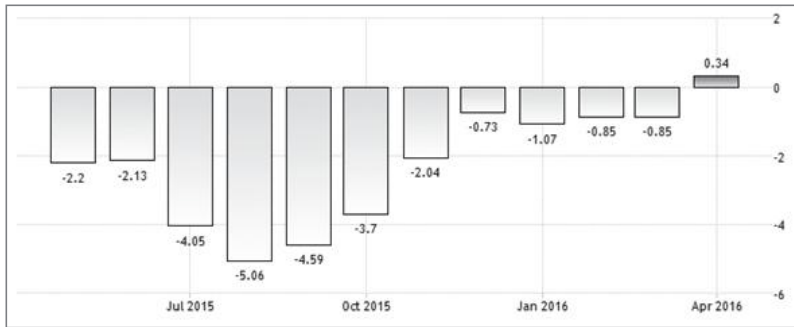
111. Mohan Guruswamy, '2015 has been a year of economic gloom for India'. See also Sitaram Yechury, 'Forget the Data Fudge, Look at the Ground Reality', *The Wire*, 12 December 2015.

112. 'India Wholesale Price Index Change 1969-2016', *Trading Economics* (<http://www.tradingeconomics.com/india/producer-prices-change>).

113. The WPI-related data are in sharp contrast with the CPI-related data, which have been quoted above. For an introductory discussion on the problem created by these two contrasting sets of data see N.R. Bhanumurthy, 'Is India staring at deflation?', *The Indian Express*, 24 September 2015.

114. Trading Economics.

Chart 3 – India’s Wholesale Price Index January 2015- January 2016¹¹⁵



All the above means that beginning in November 2014 the nominal rate of growth was well *below* the real rate of growth. Indeed, according to the government’s mid-year review, made public in December 2015, the nominal GDP growth had sharply declined from 13.5% in 2014-15 to only 7.4% in the first two quarters 2015-16. As noted by well-known senior journalist and economy expert M. K. Venu: «This is almost like suggesting that the income growth rate across the board is nearly halved!»¹¹⁶ The government itself acknowledged that: «The sharp and continuing decline in nominal GDP growth, as well as the fact that the economy is powered only by private consumption and public investment – is a cause for concern».¹¹⁷

This «dramatic slowdown in nominal GDP growth» witnessed, as a consequence, «the extremely low growth in corporate earnings».¹¹⁸ Hence the business community’s despondency, noted above. The nominal GDP slowdown could not but adversely affect future investment decisions on the part of Indian companies. This, in turn, did affect employment and salary growth in the organized sector, which, in the year under review, «experienced the worst retrenchment, the scale of which has not been seen in the past two decades».¹¹⁹ All this catastrophically dovetailed with the deepening agricultural crisis. The all too real crises in both the secondary and primary sectors could not but impinge on the unorganised sector, further depressing

115. *Ibid.*

116. M. K. Venu, ‘The Economy Isn’t Turning Out the Way We Are Told’, *The Wire*, 31 December 2015.

117. Ministry of Finance, Department of Economic Affairs, Economic Division, *Mid-Year Economic Analysis 2015-2016*, 2015, p. 15.

118. *Ibid.*

119. *Ibid.*

the internal demand. On top of all this, exports experienced «an unprecedented decline» in 2015.¹²⁰

Summing up, once one goes beyond the over-optimistic official macro-economic data, the situation of the Indian economy in 2015 looked far from satisfactory and, certainly, very distant from the rosy hopes engendered by Narendra Modi's electoral promises.

3. *Domestic Politics*

Even as far as domestic politics are concerned, during 2015 not all went well for Narendra Modi. The Prime Minister's problems originated from three interrelated factors. First, the BJP's defeat in two important polls (Delhi and Bihar) put into question the Prime Minister's ability to win elections. Second, the Congress Party, which practically all analysts considered to be in its death throes, quite unexpectedly put up a spirited and sometimes successful fight against the Modi government; finally the Prime Minister struggled uneasily to reconcile his institutional role as Prime Minister with the demands and actions of a number of Hindu extremist groups.

3.1. *The Delhi and Bihar Elections*

The state elections held in 2015 (and the local bodies election in Gujarat and Uttar Pradesh) reveal a common pattern. This is that, compared to 2014, the Modi's wave had lost at least some of its steam and the Prime Minister was not able to win elections on his own any longer.

On 10th February 2015, the results of the elections in Delhi were announced. It was a political earthquake.¹²¹ The Aam Aadmi Party (AAP – «Party of the common man») led by Arvind Kejriwal obtained the largest majority a party has ever captured since 1993, when the Delhi legislative Assembly was reintroduced.¹²² Table 5 shows the number of seats and the share of the vote obtained by the AAP, the BJP, and the Congress.

120. 'Unprecedented Decline', *Economic and Political Weekly*, 16 January 2016, pp. 7-8.

121. Milan Vaishnav, 'A Rumble in Delhi', *Foreign Affairs*, 11 February 2015.

122. It had been abolished in 1956.

Table 5
Delhi Election results and comparison with the 2013 election¹²³

Party	No. of Seats	Change in No. of Seats	Vote Share	Change in Vote Share
AAP	67	+39	54.3	+24.81
BJP	3	-28	32.2	-0.8
INC	0	-8	9.7	-14.85
Total	70		96.2	

Apart from the smashing victory conquered by the AAP, the other most noteworthy development to be noted is the disastrous performance of the Congress. The party (which had ruled Delhi for three consecutive terms from 1998 to 2013) failed to conquer a single seat and saw its vote share plummet from 40.31% in 2008 to 9.7% in 2015.¹²⁴

Another point worth stressing is that the poor performance of the BJP was not so much due to any significant decline in the popular vote; rather, it was the consequence of India's first-past-the-post electoral system. It had worked well for the BJP in the 2014 Lok Sabha elections, when the party obtained 51.93% of the seats with 31.3% of the votes.¹²⁵ However, the extraordinary electoral performance of the AAP in 2015 translated into an even more extraordinary vote-to-seat conversion rate.¹²⁶

The failure of the BJP to replicate its impressive performance in Delhi during the 2014 Lok Sabha election was mainly due to the poor choice of its chief ministerial candidate.¹²⁷ In January 2015 – less than a month before the polls – the BJP started presenting Kiran Bedi (a well-known former Indian Police Service officer, who had been an active militant in the Anna Hazare anti-corruption movement)¹²⁸ as its chief minister candidate.¹²⁹ The choice surprised many, especially the local BJP leaders. Many of them resented the fact that an outsider had been «parachuted» in by the national leadership onto the Delhi political battlefield, and were upset because Bedi, when associated with Anna Hazare's anti-corruption movement in 2011, had been a sharp

123. Election Commission of India. www.eci.nic.in

124. See Sudha Pai, 'Grand Ossified Party', *The Indian Express*, 11 February 2015 for a lucid analysis of the state of the Congress.

125. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', pp. 247-48.

126. For every 1% vote share, the AAP won 1.75 seats. The corresponding rate of the BJP at the 2014 Lok Sabha election was 1 to 1.67.

127. Biswajit Mohanty and Jyoti Mishra, 'Among factors that decided one's vote, CM preference was often the clincher', *The Indian Express*, 12 February 2015.

128. Michelguglielmo Torri, 'L'India nell'anno della crociata anti corruzione', *Asia Maior 2011*, pp. 128, 147, 149-156.

129. 'Delhi Assembly elections: Kiran Bedi joins BJP; Amit Shah says CM choice only after polls', *Indian Express*, 16 January 2015.

critic of the BJP.¹³⁰ The very disappointing results obviously upset greatly the local BJP leaders, who saw the defeat as the direct consequence of the «politics of arrogance»¹³¹ of Modi and his principal lieutenant, Amit Shah, who had managed the elections from the top, without involving the local party branch.

Bedi's choice as the BJP's chief ministerial candidate was also a demonstration of weakness. The party chose a candidate that had a lot in common with her main rival, Arvind Kejriwal: both were known for their honesty and integrity, both had been associated with the Anna Hazare anti-corruption movement, and both had entered politics comparatively late in life. In this way, the BJP had endorsed the AAP's argument that what Delhi needed was a new type of politician, and, in so doing, had strengthened Kejriwal's position, as the latter appeared much more credible than Bedi in the role of a «new politician».

The extraordinary performance of the AAP was in many ways unexpected. The AAP had formed an Arvind Kejriwal-headed minority government in Delhi, with the support of the Congress party, in 2013. However, after only 49 days, Kejriwal had stepped down. Many thought this was a fatal error for the newly born party. The very disappointing performance of the AAP at the Lok Sabha elections in 2014 (when it failed to conquer a single seat in the capital)¹³² seemed to confirm this view.¹³³

Kejriwal, however, did something completely unexpected at that point: he apologised to the citizens of Delhi and to its own party for his mistakes¹³⁴ and started a vigorous and carefully planned electoral campaign based on a number of innovative initiatives such as the «Delhi Dialogues», flash mobs, and clever and intensive usage of social media.¹³⁵

Data collected by the Centre for the Study of Developing Society (CSDS) show that, on the one hand, the AAP's message resonated with a very broad section of the electorate, cutting to a large extent across caste, class and religious lines.¹³⁶ However, CSDS data also show that the AAP was the preferred party of the more marginalised communities and religious minorities:¹³⁷ 77% of the Muslims, who had overwhelmingly voted for the Congress in the past, 57% of the Sikhs, and 66% of the poor voted for Kejri-

130. 'The Kiran Bedi effect: BJP's Delhi unit is in a shambles', *Scroll.in*, 19 January 2015.

131. 'Voices in stunned BJP talk of 'politics of arrogance'', *The Indian Express*, 11 February 2015.

132. The AAP won only four seats nationally, all from Punjab.

133. On the AAP first government in Delhi and the political consequences of its fall see Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', pp. 242-246.

134. *Ibid.*, p. 246 and the sources quoted in fn. 15. See, also, Vaishnav, 'A Rumble'.

135. Goirick Brahmachari, 'AAP, Left and their Cultural Tools', *Economic and Political Weekly*, 8 February 2015.

136. Shreyas Sardesai, 'Delhi's new Aambrella Party', *The Indian Express*, 12 February 2015.

137. Suhas Palshikar & Sanjay Kumar, 'An Aam Aadmi beyond social strata, a victory with a marked social profile', *The Indian Express*, 12 February 2015.

wal.¹³⁸ It is significant though that as many as 47% of the upper classes chose the AAP (as against 43% who preferred the BJP).¹³⁹ Overall, the CSDS post-poll survey shows that corruption was the second most important issue for Delhi's voters (just after «price rise») and that Kejriwal was considered by far the most credible chief minister candidate up to tackle the problem.¹⁴⁰

On the other hand, one should be cautious to interpret the results in Delhi as a sign of the declining popularity of the Prime Minister. The CSDS survey shows that 65.5% of the electorate was «fully satisfied» or «somewhat satisfied» with Modi's government.¹⁴¹ But it is nevertheless clear that the BJP cannot win state elections just hoping that the «Modi wave» will last forever. The message of the Delhi electorate was precisely this: the BJP cannot «parachute» candidates from above, especially if other parties have strong and locally popular candidates. The result of the Delhi elections was also a shot in the arm for Modi's internal opposition,¹⁴² which had been resentful at the high degree of centralisation in the management of party affairs.

A similar lesson can be drawn from the results in Bihar. The state went to the polls in October-November 2015. Table 6 offers a synthetic view of the results.

Table 6
Bihar elections results and comparison with the 2010 elections¹⁴³

Alliance	Party	Seats	Change No. of Seats	Vote Share	Change Vote Share
Grand Alliance	Janata Dal (U)	71	-44	16.8	-5.81
	Rashtriya Janata Dal	80	+68	18.4	-0.44
	Congress	27	+23	6.7	-1.68
	Total Grand Alliance	178			
NDA	BJP	53	-38	24.4	+7.94
	Lok Janshakti Party	2	-1	4.8	-1.95
	Other NDA	3	NA	4.9	NA
	Total NDA	58			

138. Shreyas Sardesai, '77% Muslims, 57% Sikhs voted AAP', *The Indian Express*, 12 February 2015.

139. Sanjay Kumar & Pranav Gupta, 'Poor already behind it, AAP tapped rich too', *The Indian Express*, 12 February 2015.

140. CSDS, Delhi Assembly Election 2015 – Post Poll Survey Findings. Available on the CSDS's website: www.csdS.in

141. *Ibid.*

142. 'A short guide to whom the BJP and its supporters are blaming for the Delhi debacle', *Scroll.in*, 11 February 2015.

143. Election Commission of India.

It is difficult to compare the 2015 results in Bihar with the previous state election in 2010 because of the complete change in the political landscape in the intervening years. Two major developments were significant. First, when Narendra Modi was chosen in 2013 as the NDA's Prime Ministerial candidate, the chief minister of Bihar and leader of the Janata Dal (United) or JD(U), Nitish Kumar, decided to break the 17-year old alliance with the BJP.¹⁴⁴ Second, at the 2014 Lok Sabha elections in Bihar the spectacular performance of the BJP – which gained 22 out of 40 seats – and the catastrophic results for the JD(U) – which crashed down from 12 to 2 seats – produced two main consequences among the political forces which were on the losing side. The first was Nitish Kumar's resignation as Chief Minister in May 2014.¹⁴⁵ The second was that the electoral results alarmed not only the JD(U), but also the other main regional party of Bihar, the Rashtriya Janata Dal (RJD), led by Lalu Prasad Yadav. Although the two parties have been at daggers drawn since the JD(U)'s creation on 30 October 2003, the 2014 electoral results were worrying enough for both parties to convince them to bury the hatchet and form (together with the locally almost irrelevant Congress party) a «Grand Alliance».¹⁴⁶

These two important political developments make it very difficult to assess the changes in the parties' electoral performance. For example, the declining vote share of the JD(U) was almost entirely due to the fact that the party contested a significantly lower number of seats because of the seat-sharing agreement with the RJD.¹⁴⁷ Similarly, the BJP's vote share increased, but, again, this was mostly due to the increased number of seats it contested.

The BJP's original plan was to confront the Bihar's voters with a choice between development (Modi) and caste politics (Nitish and Lalu). Accordingly, the Prime Minister was to be the focal point of the BJP's campaign, so much so that the party did not even name a potential chief minister candidate.

However, after the first phase of polling, BJP's leaders started feeling that the party's prospects were not as good as hoped. This had a significant impact on the BJP's campaign in two ways. First, the duo Narendra Modi-Amit Shah – who in the first phase of the campaign had dominated the par-

144. Michelguglielmo Torri, 'L'India nell'anno della legge sulla sicurezza alimentare', *Asia Maior* 2013, p. 126 and the sources quoted there. See also 'JD(U) severs ties with BJP on Modi issue', *The Hindu*, 16 June 2013.

145. 'Bihar chief minister Nitish Kumar resigns', *The Times of India*, 17 May 2014. On the 2014 elections in Bihar, see Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', pp. 266-69.

146. See Suhas Palshikar, 'Lalu, Nitish aur Woh', *The Indian Express*, 10 June 2015.

147. 'Bihar polls: Nitish Kumar releases «joint list» of 242 candidates, OBCs get lion's share', *The Indian Express*, 23 September 2015.

ty's billboards and advertisements throughout the state – disappeared, to be replaced by local party leaders.¹⁴⁸ This was an attempt to shelter the Prime Minister in case of defeat. Second, the BJP decided to shift the emphasis of its campaign from development to caste and religious polarisation.¹⁴⁹

A few examples are sufficient to highlight this shift. At a public rally on 25th October, Modi alleged the existence of a secret plan of the Grand Alliance to take away 5% of the existing reservation quota – allotted to Dalits, Extremely Backward Castes (EBCs) and Other Backward Classes (OBCs) – giving it to Muslims.¹⁵⁰ A few days later, Amit Shah said that a victory for the Grand Alliance would be celebrated with firecrackers in Pakistan.¹⁵¹ At the beginning of November – just a few weeks after a Hindu mob assassinated in Dadri, in neighbouring Uttar Pradesh, a Muslim suspected of keeping cow meat in his house¹⁵² – the BJP displayed billboards portraying a woman hugging a cow with a headline saying «Nitish Kumar Ji, your allies kept insulting the holy cow of every Indian and you kept quiet!»¹⁵³ Television ads, on the other hand, reminded the voters of Narendra Modi's OBC background and the fact that the Grand Alliance leaders could not stomach his ascendancy to the country's highest office, *because of* his caste background.¹⁵⁴ The list could be much longer.

The strategy did not work.¹⁵⁵ On the one hand, those for whom cows are a crucial political issue would most probably vote for the BJP anyway. On the other hand, religious polarisation mainly had the effect of consolidating the Muslims vote behind the Grand Alliance. There is also some evidence that shows that the BJP performed only marginally better in districts more affected by religious riots.¹⁵⁶ The attempt to woo OBCs, EBCs and Dalits did not work either, as the BJP offered a disproportionate number of seats

148. 'Bihar leaders replace Modi in election ads as BJP gets an attack of nerves', *Scroll.in*, 15 October 2015.

149. Neelanjan Sircar, Bhanu Joshi & Ashish Ranjan, 'How Modi surrendered Bihar', *The Hindu*, 9 November 2015.

150. 'Modi alleges plot to take away SC, ST, OBC quotas', *The Hindu*, 26 October 2015.

151. 'Amit Shah's firecrackers in Pakistan remark an insult to Biharis: Lalu Prasad', *The Indian Express*, 30 October 2015.

152. More on this below.

153. 'BJP's ad on cow slams Nitish Kumar ahead of final phase of polling in Bihar', *The Indian Express*, 4 November 2015.

154. 'What Bihar TV ads reveal: Forget development, for BJP it's all about caste', *Firstpost*, 29 October 2015.

155. James Manor provides convincing evidence that the BJP lost the elections because of the way in which it managed the electoral campaign. See James Manor, 'The Campaign and BJP «Missteps» Decide the Outcome: The Bihar State Election, 2015', *Economic and Political Weekly*, forthcoming.

156. Sandeep Shastri, Sanjay Kumar & Suhas Palshikar, 'Bihar post-poll survey: Voters had better image of Bihar than PM Modi painted', *The Indian Express*, 10 November 2015.

to the upper castes.¹⁵⁷ On the other hand, the Grand Alliance was able to expand its social base among Muslims, OBCs, and EBCs, especially in rural areas.¹⁵⁸ Throughout the campaign, the BJP-led alliance managed to mobilise the upper castes only, the only exception being the Paswan Dalits, whose leader Jitan Ram Manjhi (briefly Chief Minister of Bihar when Nitish resigned in 2014) had chosen to ally with the BJP.¹⁵⁹

The Grand Alliance, more importantly, won the rhetorical battle on development.¹⁶⁰ In fact, Modi's repeated attacks on Lalu and the «jungle raj» that characterised Lalu's chief ministerships in the 1990s did not undermine Nitish Kumar's image as an able administrator.¹⁶¹ Moreover, CSDS data show that Modi's rhetoric of Bihar being a hopelessly underdeveloped state collided with the voters' perception that Nitish Kumar had indeed been able to bring about development during his two terms (2005-10).¹⁶²

This, in fact, was more than just a perception. Under Nitish Kumar the state's GDP grew at an unprecedented pace (albeit from a very low base) both in absolute terms and as a share of all states' GDP.¹⁶³ There is evidence, importantly, that this growth had been inclusive: not only did Kumar fund and implement a number of social welfare schemes reasonably well,¹⁶⁴ but growth in agriculture, poverty reduction, and literacy rates improvements have been among the highest in India.¹⁶⁵ The results would thus confirm the trend, identified by Milan Vaishnav and Reedy Swanson, according to which Indian voters are more and more inclined to reward good economic performance, at least at the state level.¹⁶⁶

157. James Manor, 'The Campaign and BJP «Missteps» Decide the Outcome: The Bihar State Election, 2015'.

158. *Ibid.* See also, Rahul Verma & Nitin Mehta, 'Bihar post poll survey: Dalits dump NDA, rural Bihar stays out of its reach', *The Indian Express*, 10 November 2015.

159. James Manor, 'The Campaign and BJP «Missteps» Decide the Outcome: The Bihar State Election, 2015'.

160. This does not mean that it did not play the caste card too. Far from it.

161. Much of the positive image of Kumar is due to his ability to restore law and order after Lalu's terms in office. Milan Vaishnav, 'The Beginning of Modi's End?', *Foreign Affairs*, 11 November 2015.

162. Sandeep Shastri, Sanjay Kumar & Suhas Palshikar, 'Bihar post-poll survey: Voters had better image of Bihar than PM Modi painted'.

163. Indeed, under Nitish Kumar Bihar had grown more rapidly than Gujarat. See Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', p. 265 and the sources there quoted. See also 'How Bihar has fared under Nitish Kumar', *LiveMint*, 12 October 2015.

164. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', p. 265; Avani Kapur, 'Lessons from the Bihar model of development', *Business Standard*, 12 November 2015.

165. Avani Kapur, 'Lessons from the Bihar model' and 'This Chart Shows Why Bihar Voters Stuck With Nitish Kumar', *The Wall Street Journal*, 9 November 2015.

166. Milan Vaishnav & Reedy Swanson, 'Does Good Economics Make for Good Politics? Evidence from Indian States', *India Review*, Vol. 14, No. 3, 2015.

Finally, it is worth noting that, like in the case of Delhi, leadership was an extremely important issue for Bihar's voters. Even though satisfaction with Modi's government at the centre was quite high – 71.6% of the voters were fully or somewhat satisfied with the BJP-led government, according to CSDS data¹⁶⁷ – Nitish Kumar was by far the preferred choice for the chief ministership.¹⁶⁸ In Bihar too, the Modi-centric campaign – as a BJP leader put it, Modi and Shah «hijacked the entire campaign without feeling the pulse of the state»¹⁶⁹ – and the choice not to name a chief minister candidate did not pay off. The lesson that the BJP learnt – and that Modi's internal enemies were quick to highlight¹⁷⁰ – was that an extremely centralised management of the party does not work, even if at the top of it stands a politician as popular as Narendra Modi.

Some more troubles for Modi came from the results of the elections for local bodies (*panchayats* and municipal corporations) in two states, Gujarat and Uttar Pradesh. In both cases the BJP suffered heavy losses.¹⁷¹

3.2. *The Congress' unexpected comeback*

Another source of problems for the Prime Minister came from the opposition parties and in particular from the Congress. After its resounding defeat in 2014, the Congress was in serious trouble. Many thought that the «Grand Old Party» was about to implode,¹⁷² as a number of senior leaders left and many more seriously questioned the leadership of the Gandhi family.¹⁷³

However, contrary to expectations, the party put up an increasingly effective parliamentary fight against the Modi government and effectively disrupted the legislative activity in Parliament, thus replicating the BJP's strategy during the UPA governments. Whereas this was certainly not a democratically healthy way of opposing the government, it suggested that the Congress was not yet ready to be consigned to the dustbin of India's political history.

167. *Bihar Postpoll Survey Findings 2015*, available on the CSDS's website.

168. Sandeep Shastri & Vibha Attri, 'Post-poll survey: Bihar rates its favourite CM Nitish Kumar as more capable than PM Narendra Modi', *The Indian Express*, 10 November 2015.

169. Quoted in James Manor, 'The Campaign and BJP «Missteps» Decide the Outcome: The Bihar State Election, 2015'.

170. 'BJP veterans revolt against Modi, Amit Shah after Bihar election debacle', *Livemint*, 11 November 2015.

171. 'BJP suffers heavy losses in UP panchayat polls', *Hindustan Times*, 3 November 2015; 'Vinay Umariji & Vimukt Dave: Time to go beyond just the urban agenda', *Business Standard*, 5 December 2015.

172. 'Congress starts to crumble: «It's a frightening scenario», says one party leader', *Scroll.in*, 30 January 2015.

173. 'Inside India: As Congress Unravels, Strength of Democracy Is at Stake', *The Wall Street Journal*, 4 February 2015.

A turning point in Congress's parliamentary strategy occurred following the results of the elections in Delhi, where the Congress failed to conquer a single seat. This appeared – and undoubtedly was – as clear-cut as any confirmation of the sad state of the party.¹⁷⁴ However, rather paradoxically, the results of the Delhi elections, by showing that Modi was not invincible, encouraged the Congress to get its act together, mounting a more determined and eventually not totally ineffective resistance effort against the Modi government. The main battleground of the Congress counterattack was the fight against the Land Acquisition Ordinance.

3.2.1. *The fight against the Land Acquisition Ordinance*

As recalled above, the Land Acquisition Ordinance was one of several ordinances on economic matters promulgated by the government between the end of December 2014 and the first week of January 2015.¹⁷⁵ Clearly, it was considered a key initiative in favour of the business community. It emended the «UPA's growth-killing Land Acquisition Act»,¹⁷⁶ namely the last important piece of legislation enacted by the UPA-2 government in 2013.¹⁷⁷ In turn, the 2013 Land Acquisition Act had supplanted the Land Acquisition Act of 1894, a law enacted in the colonial period, which, nevertheless, had continued to be the rule of the land up until 2013.

The longevity of the 1894 Land Acquisition Act can be explained by the fact that it gave a free hand to the state to take hold of any extension of land, when it was «likely to be needed for any public purpose [or for a company]»,¹⁷⁸ without providing any adequate compensation to the former owners. Accordingly, land was seized and the former owners were paid a meagre amount (if any at all).

According to the Land Acquisition Act 2013, land could be expropriated only if assent was given by at least 70% (if the expropriated land was meant for public and public-private-partnership enterprises) or 80% (if the land was meant for private enterprises) of the people living off the land (namely not only landowners, but also «livelihood losers», that is people whose livelihood depended on the land which was being acquired). Moreover the

174. Sudha Pai, 'Grand Ossified Party', *The Indian Express*, 11 February 2015.

175. In fact it was issued on 29 December 2014.

176. R. Jagannathan, 'Land Bill: Modi faces fight on two fronts: against Opp, and against parivar', *First Post*, 31 December 2014.

177. 'The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, No. 30 of 2013', *The Gazette of India*, 26 September 2013 (<http://www.prsindia.org/uploads/media/Recent%20Acts/LARR%20Act,%202013.pdf>).

178. Government of India, Ministry Of Law and Justice, 'The Land Acquisition Act, 1894 (1 of 1894) (As modified up to the 1 September 1985)' (<http://dofr.nic.in/hyperlink/acq.htm>), Part II, 4 (1).

Act fixed generous compensations for those who lost their land: four or two times the market value for urban and rural land respectively.¹⁷⁹

The 2013 Land Act had been conceived by Rahul Gandhi and piloted through the parliamentary process by the then Minister of Rural Development, Jairam Ramesh. Interestingly enough, it had had the near general support of the Opposition, starting from the BJP. As later remarked by Rahul Gandhi, «In 2013, BJP had supported the new law. There were two all-party meetings, three amendments the BJP had proposed and which were incorporated, 15 hours of debate in Parliament, 65 MPs taking part».¹⁸⁰ Not only that, as again remembered by Rahul Gandhi, during the parliamentary debate two eminent BJP politicians such as Rajnath Singh and Vinay Katiyar had acted as the «opening batsmen» in favour of the law in the Lok Sabha and Rajya Sabha respectively.¹⁸¹

The above does not detract from the fact that, as soon as the new law was approved, strong objections were raised by many states, including several then ruled by Congress.¹⁸² Also, the then Power Minister, Jyotiraditya Scindia, had called for an amendment exempting from the new law the biggest power projects.¹⁸³ Even more relevant was the fact that the business community was vehemently against the new Act; so much so that, according to a well known pro-Congress intellectual, it was this particular Act which had been a main reason behind the business community's massive shift against the Congress party.¹⁸⁴

This being the situation, the Modi government's decision to amend the 2013 Land Acquisition Act made sense and was in line with the pro-business approach which characterised its policies – hence the decision to introduce an ordinance emending the law, which was promulgated by the President of India on 31 December 2014.

As briefly noted above, the ordinance exempted five categories of land use from the provisions of the 2013 Land Act: defence; rural infrastructure; affordable housing; industrial corridors; and infrastructure projects, including Public Private Partnership (PPP) projects where the central government owned land. For these extremely vaguely defined areas, expro-

179. The Land Acquisition, Rehabilitation and Resettlement Bill, 2011 was introduced in the Lok Sabha on 7 September 2011 and eventually passed on 29 August 2013. It was then approved by the Rajya Sabha on 4 September 2013. Finally, the bill received the assent of the President of India, Pranab Mukherjee, on 27 September 2013 and was notified on 1 January 2014.

180. Raj Saiya, 'Congress will strongly oppose land ordinance in Parliament: Jairam Ramesh', *First Post*, 18 February 2015.

181. *Ibid.*

182. R. Jagannathan, 'Land Bill: Modi faces fight on two fronts: against Opp, and against parivar'.

183. 'Sonia Gandhi, Back in Charge of Congress', *NDTV*, 19 March 2015.

184. Aditya Mukherjee, 'Clear out the Congress Cabal', *India Today*, 2 June 2014. See also Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', p. 296.

priation would not require the consent of the people living off the land and the state was dispensed from performing the social impact assessment.

The government tried to convert the ordinance into law¹⁸⁵ by introducing in Parliament the Land Acquisition bill in February 2015. However, the bill, which was passed in the Lok Sabha in March, got stuck in the Rajya Sabha, where the government did not have a majority.¹⁸⁶ To this the government responded by having the land ordinance issued – with some minor variations as compared to the first version – a second and a third time, in April and May.¹⁸⁷

By mid-February, however, following the BJP Delhi debacle, the Congress MPs, which had been «directionless for the first six months after the Lok Sabha election [...] came into their own», as «they realised that the Modi government was not invincible».¹⁸⁸ Not only the Congress, under the leadership of a «newly energised» Rahul Gandhi put up a fierce parliamentary battle against the land acquisition legislation, but, led by Sonia Gandhi, took to the streets, accusing the Modi government of being «anti-farmer and pro-corporate».¹⁸⁹ More importantly, all the main opposition parties, which had hitherto acted each by itself, making life easy for the government, started to act together, leaving the issues which divided them at the level of the states.¹⁹⁰

The opposition in the streets was organised not only by Congress, but also by other parties (particularly the AAP) and, perhaps more importantly, by several grassroots organisations. Even Anna Hazare, the leader of the 2013 anti-corruption movement, launched a march from Faridabad to Delhi, where it concluded with a two-day demonstration.¹⁹¹

Eventually, the Land Acquisition bill was referred to a joint parliamentary committee, where the Opposition parties, following the suggestion of the Congress general secretary, Digvijay Singh, insisted that a number of RSS-affiliated peasant organizations be heard.¹⁹² This was done knowing

185. As required by art. 123 of the Constitution.

186. A second land bill was introduced at the Lok Sabha on 11 May 2015. 'Land acquisition Bill again moved in Lok Sabha', *The Hindu*, 11 May 2015.

187. For a convenient summing up of the vicissitudes of the land ordinance see Charu Kartikeya, 'How the Modi government had to eat humble pie on the land ordinance', *Catch News*, 1 September 2015.

188. Anita Katyal, 'NDA Report Card. One year after Modi majority, opposition parties prove more energetic than anyone imagined', *Scroll.in*, 14 May 2015.

189. *Ibid.*

190. *Ibid.*

191. 'Be prepared to go to jail: Anna warns land ordinance protesters', *First Post*, 20 February 2015; 'Hazare urges Modi to refrain from new ordinance on Land bill', *The Hindu*, 1 April 2015; 'No room for politicians in Anna Hazare's «padayatra» against Land Acquisition Act', *The Hindu*, 9 March 2015.

192. Anita Katyal, 'Opposition sits back in glee as RSS affiliates list objections to BJP's land bill', *Scroll.in*, 23 June 2015.

that, since the promulgation of the first land ordinance, the opposition to the Modi government's land legislation from «its own Sangh mischief-mongers» had been evident.¹⁹³ In fact, in spite of the behind curtains attempt by Modi and Amit Shah to convince the Sangh Parivar peasant organizations to close ranks and support the government's land legislation, the Bharatiya Mazdoor Sangh, the Bharatiya Kisan Sangh, the Swadeshi Jagran Manch, and the Akhil Bharatiya Vanvasi Ashram made clear their continued opposition to the government's Land Acquisition legislation.¹⁹⁴

That was really the turning point in the struggle: the government – which had been mulling over the idea of convening a joint session of Parliament, in case the land bill was not passed in the Upper House¹⁹⁵ – decided to cut its losses and call it a day. The change in strategy was made public when, on 30 August, Narendra Modi announced during his radio programme *Mann ki Baat* his decision to let the third Land Acquisition ordinance lapse.¹⁹⁶

All this does not mean that the government's attempt at modifying the 2013 Land Act was over. The Land Acquisition Bill was still standing. Moreover, both Arun Jaitley and Arvind Panagariya advised states to frame their own acquisition laws, following the example of what had already done by Tamil Nadu.¹⁹⁷

Once all this has been said, the undisputable fact remains that the shelving of the land ordinance was a major political defeat for the government and a clear cut victory for the opposition at large, but more specifically for Congress, which had led the attack on the government's land legislation. It was not without justification that Sonia Gandhi, at a rally in Patna, celebrated «the victory of farmers over a government that has worked against the interests of the farmers».¹⁹⁸

3.2.2. *The Lalit Modi and Shivraj Singh Chouhan affairs*

In leading its parliamentary battle against the BJP, the Congress became increasingly effective in highlighting and exploiting the BJP's weaknesses. For example, in June 2015, an anonymous source leaked to the British Sunday Times¹⁹⁹ the content of some emails casting a shadow on

193. R. Jagannathan, 'Land Bill: Modi faces fight on two fronts: against Opp, and against parivar'.

194. Anita Katyay, 'Opposition sits back in glee as RSS affiliates list objections to BJP's land bill'.

195. 'Govt. strategy for Land Bill unclear', *The Hindu*, 10 May 2015.

196. 'Government to allow land ordinance to lapse: PM Modi', *The Hindu*, 30 August 2015.

197. 'Land Act «a bit draconian», frame own laws: Panagariya to states', *Business Standard*, 10 September 2015.

198. 'Land ordinance gets a burial'.

199. 'Howzat! Vaz name-drops to help tycoon', *The Sunday Times*, 14 June 2015.

External Affairs Minister, Sushma Swaraj, and Rajasthan's Chief Minister, Vasundhara Raje. According to these emails, Swaraj and Raje had made use of their influence with the British government to favour Lalit Modi, the former Commissioner of India's Premier (Cricket) League (IPL), who had fled to Great Britain to avoid prosecution in India over charges of «financial impropriety». Despite the fact that the Indian government had cancelled his passport due to allegations of «monumental graft» in the allocation of broadcasting rights, first Vasundhara Raje had helped Lalit Modi to find a safe haven in Great Britain by sponsoring his British immigration application in 2011 and then Sushma Swaraj had helped the former IPL chief to get British travel papers on «humanitarian» grounds.²⁰⁰ The Congress disrupted the functioning of the Parliament repeatedly asking for Swaraj and Raje's resignation (to no avail).

A similar strategy was adopted by the Congress in relation to the Vyapam scam involving Madhya Pradesh's Chief Minister Shivraj Singh Chouhan. The scam, which involved a widespread corruption network in the state's civil service appointment system, was made particularly disturbing by the fact that, over the last few years, as many as 50 witnesses and defendants involved in the affair have died, 23 of them for «unnatural» reasons.²⁰¹

The effects of the Congress's opposition against Modi's government were mixed. On the one hand, even if the Congress did not obtain any resignations, it certainly reinvigorated itself, at least in Parliament. Moreover, it is undeniable that the continuous media exposure (also due to the Congress strategy) seriously damaged the image of the BJP as the «clean» party that in the 2014 election campaign had ridden the anti-corruption wave.²⁰² Furthermore, the continuous disruption of legislative activity – leading to a virtual policy paralysis²⁰³ – affected the image of the Modi government as a «doer».

On the other hand, however, probably just by chance, all the accused in these scams – which reached the press thanks to internal leakages – were Modi's internal rivals.²⁰⁴ Therefore, although the BJP's prestige was dama-

200. 'Six Questions Sushma Swaraj and Narendra Modi Need to Answer', *The Wire*, 15 June 2015; 'All you should know about Lalit Modi, Sushma Swaraj, Raje controversy', *Hindustan Times*, 18 June 2015. According to Swaraj, Lalit Modi, then without passport, needed to reach his wife, who was about to undergo a cancer operation in Portugal.

201. 'All you need to know about the Vyapam scam that is killing people', *Business Standard*, 6 September 2015.

202. Pratap Bhanu Mehta, 'The drummer's silence', *The Indian Express*, 3 July 2015.

203. 'Rajnath Singh shows willingness to end Parliament logjam – but will Modi and Jaitley agree?', *The Indian Express*, 29 July 2015.

204. Rana Ayyub, 'With Vyapam, Another Modi Rival Lands in Crisis', *NDTV*, 9 July 2015.

ged, thus indirectly weakening the Prime Minister himself, it is a fact that the whole affair strengthened rather than undermined Modi's position inside his own party.

3.3. Intolerance

The second source of problems for the Modi government came from the heart of Narendra Modi's social base, namely the galaxy of Hindu groups that form the core of the BJP's electoral support. The election of Modi in May 2014 galvanised Hindu groups throughout the country.²⁰⁵ Since then, the Prime Minister has proven to be unable (or unwilling) to control the most extremist elements among them. To put it in different terms, Modi has been unable to reconcile his institutional role as Prime Minister with that of leader of a party that represents the interests and demands (also) of Hindu zealots.

Two policy decisions taken at the state level by BJP governments (in Maharashtra and Haryana) were particularly important in their consequences. Both states made it illegal to own or sell beef.²⁰⁶ We shall leave aside the implications for personal freedom that these decisions entail. We will also not discuss the fact that beef is widely consumed in India – 1 in 13 Indians consume it, including 12.5 million Hindus²⁰⁷ – especially by the most nutritionally deprived sections of society (Dalits and Tribals, for whom beef is an important and cheap source of proteins)²⁰⁸ and by religious minorities (Muslims and Christians).

Rather, we will focus on the fact that the bans contributed to creating an «anti-beef hysteria»²⁰⁹ that had major political consequences. On 28th September in Dadri (Uttar Pradesh) someone at the local temple announced that the family of Mohammad Akhlaq, a farm worker, had some cow meat in their house. Shortly afterward a mob reached Akhlaq's house, killed him, and severely injured his son, Danish.²¹⁰ The episode – perhaps because Dadri is just 50 kilometres from New Delhi, from where journalists could travel easily – immediately caught the attention of the national media.

205. Diego Maiorano, 'Early Trends and Prospects for Modi's Prime Ministership'.

206. 'After Maharashtra, Beef Sale Banned in Haryana', *Outlook*, 14 March 2015.

207. 'Who are the beef eaters in India?', *Livemint*, 20 October 2015.

208. 'Memories of Meals Past: For the Dalits in Maharashtra, the ban snaps their link to cheap protein', *The Indian Express*, 5 April 2015.

209. 'How Narendra Modi helped spread anti-beef hysteria', *Scroll.in*, 6 October 2015.

210. 'Dadri: Mob kills man, injures son over 'rumours' that they ate beef', *The Indian Express*, 14 October 2015. An excellent account on the social context in which the Dadri lynching took place is Ravish Kumar's 'A Sewing Machine, Murder, and The Absence of Regret', published on NDTV's blog (<http://www.ndtv.com/blog>).

Akhlaq's murder became of national relevance for several other reasons. First, some of the people involved in the lynching were associated with the BJP.²¹¹ Second, BJP local leaders, MPs and ministers made a number of outrageous declarations on the incident. MP Tarun Vijay suggested that the victims should «maintain silence in the face of assaults».²¹² Culture Minister Mahesh Sharma – who had raised a controversy a few days earlier when he said that the former President of India A. P. J. Abdul Kalam was a nationalist «*despite being a Muslim*»²¹³ – called the lynching just an «incident» that should not be given a «communal tone».²¹⁴ An MP from Uttar Pradesh, Yogi Adityanath – one of the main architects of the «Love Jihad» campaign during 2014²¹⁵ – offered guns to the Hindus of Dadri to defend themselves from retaliation.²¹⁶ The list is by no means exhaustive.

Third, the Dadri lynching occurred in a climate of increasing religious intolerance – at least at the level of perception.²¹⁷ A number of disturbing episodes happened during 2015 that reached the national media. In December 2014, Perumal Murugan, an acclaimed Tamil writer, was threatened by Hindu groups that found a novel of his (written in 2010) insulting. The police suggested him to go into exile, as they could not ensure his safety. Eventually, he withdrew his entire literary production and promised to give up writing.²¹⁸ In February 2015, Govind Pansare, a Communist Party of India member, author of a biography of Shivaji and a sharp critic of right-wing Hindu extremism, was killed.²¹⁹ Former vice-chancellor of Kannada

211. 'Dadri lynching: Eight of 11 named in FIR, detained are relatives of BJP worker', *The Indian Express*, 5 October 2015.

212. Tweet by Tarun Vijay (@Tarunvijay) on 1 October 2015.

213. 'Culture Minister Mahesh Sharma speaks: Despite being a Muslim, APJ Abdul Kalam was a nationalist', *The Indian Express*, 18 September 2015.

214. 'Dadri lynching: Mob murder an accident, arrested youths too will get justice, says Mahesh Sharma', *The Indian Express*, 3 October 2015.

215. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', p. 283; Diego Maiorano, 'Early Trends and Prospects for Modi's Prime Ministership', p. 81.

216. 'BJP MP Adityanath's outfit offers guns to Hindus in Dadri', *The Indian Express*, 7 October 2015.

217. It is obviously difficult to get hard evidence on whether India is becoming more intolerant. By looking at the English media, one could get the impression that this is indeed the case. However, it could well be that, for the reasons being discussed, these episodes are just reported more frequently. The only bit of evidence available is the figure for communal riots published by the Ministry of Home Affairs, according to which, in 2015, by October, there have been 630 such incidents, as compared to 561 incidents during the same period in 2014. See 'Communal Incidents In India Are On The Rise, Shows Home Ministry Data', *The Huffington Post (India)*, 24 November 2015.

218. Sonia Faleiro, 'India's Attack on Free Speech', *The New York Times*, 2 October 2015; Hari Kumar, 'Pakistani Singer's Concerts in India Are Canceled [sic] After Shiv Sena Protests', *The New York Times*, 8 October 2015.

219. 'Who killed Govind Pansare?', *The Indian Express*, 11 March 2015.

University in Hampi, Malleshappa Madivalappa Kalburgi, a rationalist who had spoken out against idolatry in Hinduism, suffered a similar fate in August.²²⁰ In October, two concerts of the famous Pakistani singer Ghulam Ali, scheduled in Mumbai and Pune, were cancelled because the Shiv Sena (an ally of the BJP in Maharashtra) objected to Ghulam Ali's nationality.²²¹ Later in the same month, the Jammu and Kashmir MLA Engineer Rashid was attacked with black ink in New Delhi because he had organised a «beef party».²²² Sudheendra Kulkarni, a former BJP member, suffered the same fate a few days earlier, when he was attacked with ink by Shiv Sena activists who did not want him to present the new book by the former Pakistan Foreign Minister Khurshid Kasuri in Mumbai.²²³

All these (and other) episodes contributed to creating a fear that freedom of speech and religion were in danger. As many as 40 writers returned their Sahitya Akademi awards in protest. Numerous filmmakers, scientists and academics returned their awards too.²²⁴ This obviously kept the attention of the media focused on the issue, as did the fact that the RBI governor Rajan and the rating agency Moody warned the government that rising religious tensions could hurt its economic reform agenda.²²⁵

Fourth, the government badly mismanaged the situation from a public relations perspective. The Prime Minister did not comment on the Dadri lynching until 14 of October (more than two weeks after the episode) when he called the incident «sad» and «not desirable», pointing out, however, that the central government could not be blamed for it.²²⁶ Also, those BJP members responsible for outrageous declarations were not punished in any way. The Prime Minister did not comment on any of the other episodes listed above.²²⁷

Modi's silence is significant if only because it sheds light on the nature of his relationship with the RSS. In short, the impression is that the Prime

220. 'MM Kalburgi killing: The Silencing of Reason?', *The Indian Express*, 31 August 2015.

221. 'Pakistani Singer's Concerts in India Are Canceled [sic] After Shiv Sena Protests'.

222. 'Ink attack on Jammu and Kashmir MLA Rashid Engineer over beef party', *The Indian Express*, 20 October 2015.

223. 'Shiv Sena at it again, smears black ink on Sudheendra Kulkarni's face to protest Kasuri book launch', *FirstPost*, 12 October 2015.

224. 'How India's writers are fighting intolerance', *BBC News*, 13 October 2015.

225. 'Warning signals', *The Indian Express*, 2 November 2011; 'Full text of Raghuram Rajan's address at IIT Delhi: Tolerance is essential for economic progress', *Scroll.in*, 31 October 2015.

226. 'Sad, not desirable, but what is Centre's role: PM Modi on Dadri, Ghulam Ali', *The Indian Express*, 14 October 2015.

227. Pratap Bhanu Metha, 'The drummer's silence', *The Indian Express*, 3 July 2015.

Minister cannot afford to take a firm stance in defence of religious pluralism, even if he wanted to.

Of course, it is far from certain that Modi's silence is not an endorsement of the actions of Hindu extremists. His long career in the RSS, his track record in Gujarat where he oversaw the killing of hundreds of Muslims, and his more recent explicit attempts to polarise the electorate (both during the last phase of the 2014 Lok Sabha elections and the 2015 Bihar polls),²²⁸ are clear signs that Modi's silence is at least a partial endorsement of the Hindutva agenda.

The problem represented by Modi's silences can be more accurately assessed by reflecting on the fact that, although the Prime Minister could have politically profited by taking a firm stand against religious extremism, he chose not to do so because of even weightier political reasons. Indeed, speaking firmly and without reservation against communal hatred would have reinforced Modi's image as a statesman, both domestically and internationally. This would have vindicated a great number of political commentators in the international and Indian English media who, since May 2014, have repeatedly argued that Modi, the Prime Minister, is a radically different person from Modi the politician who, in Gujarat, turned a blind eye to the anti-Muslim pogrom of 2002. Modi the Prime Minister, according to this view, is a pragmatist who only cares about economic growth. Hence, according to these interpretations, Modi would actually be disturbed and irritated by the behaviour of his (extremist) followers, because they distract the party from pursuing his economic agenda. Furthermore, Modi, by taking a firm stance against religious intolerance, would have avoided offering the opposition an excuse to block yet another parliamentary session on a golden plate²²⁹ and left him more space to push through his reform agenda.²³⁰

These benefits, however, appear to be too limited when compared to the potential damages caused by a firm stand against religious extremism. First of all, it is not clear to what extent the indignation over Modi's behaviour exists beyond the English media. By looking at the CSDS data on the most important electoral issues in the eyes of Bihar's voters, one would be inclined to conclude that the debate was largely confined to the English speaking élite.²³¹ Moreover, even the English speaking élite, although dissatisfied with Modi, still considered him the lesser of two evils. As pithily

228. 'How Narendra Modi helped spread anti-beef hysteria'; James Manor, 'The Campaign and BJP «Missteps» Decide the Outcome: The Bihar State Election, 2015'.

229. 'How Disruptions Hurt Parliament's Upper House', *IndiaSpend*, 11 December 2015.

230. This is what Modi's admirers seem to be worried about. See, for example, Tavleen Singh, 'Dadri's dire warning: If Modi fails to give India change, it's because of enemies within his house', *The Indian Express*, 4 October 2015.

231. James Manor, 'The Campaign and BJP «Missteps» Decide the Outcome: The Bihar State Election, 2015'.

stated by a quintessential member of this élite: «I am certainly disappointed by Modi's priorities, performance and style so far [...] but if the elections were held today I would still vote for Modi. I myself and many others I know well, and perhaps millions of Indians, are so fed up with the greed, avarice, dishonesty and feudalism of the Congress/Gandhis that any alternative is better than them.»²³²

Summing up, there are reasons to think that the damage to Modi's image may be much more limited than what it would seem reading the English media, even among the members of the English speaking middle class. Which explains why Modi did not appear overly concerned about the criticism. More importantly, the complexity of the relationship between the Prime Minister and the RSS made it extremely difficult for him to take an institutional stance in defence of religious pluralism.

The BJP and the RSS are in a symbiotic relationship. To oversimplify: the former needs the latter's workers to win support, particularly during electoral campaigns; the latter needs the BJP's presence in the state institutions to put the country on the path leading from a secular state to a *Hindu Rashtra*. However, as shown by what happened during Atal Bihari Vajpayee's prime ministership, when the BJP is in power this symbiotic relationship runs the risk of being disrupted. However, since Modi's 2014 victory, the government and the RSS had found a division of roles that ensured a certain equilibrium. On the one hand, the RSS were left a free hand to either direct or oversee government and party affairs in the cultural and educational spheres.²³³ On the other hand, the RSS did not interfere in other domains, especially in the management of the economy. This being the situation, had Modi taken a firm stance against religious intolerance, he would have explicitly violated this tacit pact.²³⁴

During 2015, however, a number of latent tensions between the Modi and Shah duo, on the one hand, and the RSS, on the other, emerged. The duo's overly centralised management of the BJP had been a constant source of concern for the leadership of the RSS. What had probably upset the RSS leadership the most was Shah's attempt to recruit 1.5 million new BJP members *independently from the RSS*. According to Dharendra K. Jha (an acute observer of the RSS and the BJP) this would be the reason behind the RSS cadres' rather lukewarm support to the BJP during the 2015 electoral cam-

232. Personal communication to Michelguglielmo Torri, 29 December 2015. Its author asked to remain anonymous.

233. Diego Maiorano, 'Early Trends and Prospects for Modi's Prime Ministership' and the numerous sources cited there.

234. Another sign that the RSS does not intend to leave Modi free to run his own government was the summoning of the entire Council of Ministers by the RSS in September 2015 to review their work during the previous 15 months. See 'India's Prime Minister Should Be Careful About the Company He Keeps', *The Wire*, 4 September 2015.

paign in Bihar.²³⁵ It may also be possible that the politically inappropriate call for a review of the reservation system – an extremely obvious taboo in a state like Bihar – made by Mohan Bhagwat, the RSS Sarsanghchalak (supreme leader), during the electoral campaign in that state, was not an accident. Rather it may have been a not-so-covert attempt to undermine the Prime Minister, or at least to send him a not-so-subtle message.²³⁶

To complicate things further, the RSS cannot afford to lose ground vis-à-vis the growing number of increasingly assertive Hindu extremist groups (within and outside the Sangh Parivar). The risk for the RSS is to be «outflanked from the right by *Hindutva* outfits they can no longer control».²³⁷ These groups can potentially attract the most radical elements within the RSS family. Suhas Pashikar has written an informative essay on one such outfit (the Sanatan Sanstha) that explicitly endorses violence as a means of ensuring religious «justice» and which has been involved in Govind Pansare's assassination.²³⁸ This and other militant groups of the *Hindutva* galaxy are increasingly independent of the RSS, which is worried about losing even more ground if it shows any sign of «weakness». If only for this reason, the leadership of the RSS cannot and will not tolerate any criticism of the *Hindutva* agenda from «their» Prime Minister.

The challenge on the right involves political parties too. The Shiv Sena in Maharashtra is a case in point. Probably with its mind on the Mumbai municipal elections (to be held in 2017),²³⁹ the leadership of the party has posed a direct challenge (from the right) to the BJP. When Modi «dared» to call «unfortunate» the cancellation of Ghulam Ali's concerts and the Dadri lynching, Shiv Sena MLA Sanjay Raut replied that the Shiv Sena respected Modi because of Godhra, and that what was «unfortunate» was Modi saying that the Dadri lynching was «sad».²⁴⁰

What is at stake is one of the key elements of the BJP's (and the RSS's) social base of support, which may be relatively small in numerical terms – the overwhelming majority of Indian voters do not endorse the *Hindutva* agenda – but it is extremely important in terms of political mobilisation.

235. 'RSS election machine grinds to a virtual halt in Bihar amidst tension with BJP', *Scroll.in*, 23 October 2015. Another reason (pointed out by Manoj, 'The Campaign...') could be that the RSS 'imported' 70,000 workers from outside the state to help with the campaign, but these did not work Bihar well enough to be effective campaigners.

236. It is significant that, just a few weeks later, Bhagwat made a complete U-turn on the topic. See 'Mohan Bhagwat takes u-turn, says RSS feels there's no question of scrapping quota', *Indian Express*, 17 December 2015.

237. Hartosh Singh Bal, 'Radical Shift', *The Caravan*, 1 November 2015.

238. Suhas Pashikar, 'Sanathan Sanstha, a Less Known But Potent Member of the Hindutva Family', *The Wire*, 28 September 2015. See also Vijaita Singh and Vikas Pathak, 'Understanding the Sanatan Sanstha', *The Hindu*, 25 September 2015.

239. We thank Matteo Miavaldi for pointing this out to us.

240. 'Modi is known for Godhra, unfortunate he condemned Dadri lynching: Shiv Sena', *The Indian Express*, 15 October 2015.

4. Foreign Policy

As in the second half of 2014, in the year under review India's foreign policy had two main objectives: projecting India as a major power on the world stage and getting all the possible foreign help it could in promoting its own economic development. The pursuit of both objectives was often intertwined with, on the one hand, the shopping for state-of-the-art weapons and weapon systems on the part of India and, on the other hand, with the selling or gifting of (maybe not so state-of-the-art) weapons and weapon-systems by India to countries which she wanted to bring inside her sphere of influence. As in the second half of the 2014, in the year under review an absolutely dominant role in the making of India's foreign policy was played by Narendra Modi, with Foreign Affairs' Minister, Sushma Swaraj, playing a distinctively subordinate role. Indeed, in 2015 Modi confirmed to be the most peripatetic among India's Prime Ministers by making 27 trips abroad and officially visiting 26 nations, which means an average of more than two foreign countries visited each month.²⁴¹ These official visits brought Modi not only to the US, China, Japan and Russia – all countries which have traditionally been central to India's foreign policy strategies – but also to a host of other important and less important nations, some of which had rarely or never been visited by an Indian premier. Westward, Modi visited France, Germany, Ireland, and Canada; southward, he visited most Indian Ocean island nations plus Singapore and Malaysia; northward, he went to Mongolia, most Central Asian republics, and Turkey; finally, among India's closest neighbours, Modi visited Sri Lanka, Bangladesh, Afghanistan, and Pakistan. Moreover Modi was present at the Paris climate conference (30 November-11 December 2015), where India played an important role in its successful conclusion²⁴² and was able to have some of its main objectives included in the final accord.²⁴³

241. Yesha Kotak, 'Complete list of countries visited by PM Narendra Modi in 2015', *DNA*, 25 December 2015. The data quoted in the text differ from those in Kotak's article, as the latter was published on 25 December, namely the day of Modi's unexpected stopover in Pakistan, on his way back from Afghanistan.

242. On India's role at the Paris climate conference see: 'Paris climate talks deadlocked, India is the Key', *The Hindu*, 10 December 2015; 'Why No Country Matters More Than India at the Paris Climate Talks', *Time*, 11 December 2015; 'India talks tough as Paris climate summit enters final lap', *Hindustan Times*, 12 December 2015; 'Nations Approve Landmark Climate Accord in Paris', *The New York Times*, 12 December 2015.

243. In the final accord the principle of «common but differentiated responsibilities and respective capabilities» in pursuing the goal of reducing carbon emissions, strongly sponsored by India, was included. See Chaitanya Kumar, 'A brief guide to India's gains and losses at the Paris climate talks', *Quartz*, 14 December 2015; Sujatha Byravan & Sudhir Chella Rajamm, 'At Paris, something for everyone', *The Hindu*, 15 December 2015; Navroz K. Dubash, 'A climate more congenial to India', *The Hindu*, 16 December 2015 (the quotation is from this last article).

In pursuing his two main objectives Modi's main effort appears to have been twofold. On one side it aimed at strengthening the political, military, and economic connection with the US (attempting at the same time, with some success, not to loosen India's traditional ties with Russia)²⁴⁴ and, on the other side, it was focussed on the strategy of engaging/containing China. Therefore, it is on the relationship with the US and that with China that this year's treatment of India's foreign policy is mainly focussed. However additional space will be dedicated to the analysis of India's relations with two of its closest neighbours: Nepal and Pakistan. Finally, some attention will be given to analysing India's role at the WTO (World Trade Organization) ministerial meeting of 15-19 December, held in Nairobi. This was practically the only really important foreign event for India where Modi was not present, the key role being played by Commerce and Industry Minister of State (independent charge) Nirmala Sitharaman.

4.1. *The India-US connection: high on hype, low on content*

During the year under review the India-US relationship was high on hype, but low on content. The hype was provided in particular by Modi's invitation to US President Barack Obama to be the «Chief Guest» to the Republic Day parade on 26 January 2015. That was the first time ever that a foreign head of state was invited to the Republic Day parade. Moreover, this brought about an unprecedented second visit by a US President to India during his term in office.²⁴⁵ Also, high on the first pages of the press – at least the Indian press; in the American press it went almost unnoticed – was Modi's second visit to the US from 26-30 September 2015.²⁴⁶ These two high visibility visits were accompanied by a host of other visits either by

244. The continuing strength and importance of India-Russia relationship was made apparent once again during the Indian Premier's visit to Moscow (23-24 December 2015). Modi and Putin announced both the building of six nuclear blocks in India in the next 20 years, and the joint production of multi-task Kamov-226 helicopters, as part of the «Make in India» initiative (140 to be produced in India; 60 in Russia). Increased cooperation in the field of exploration and production of hydrocarbons in Siberia was also in the cards. See 'Russia and India cement ties with energy and defence deals', *Reuters*, 25 December 2015. Moreover, during Modi's passage to Russia, India's Reliance Defence signed a «manufacturing and maintenance deal potentially worth \$ 6 billion with Russia's Almaz-Antey». This was part of a more ambitious project aimed at developing ties with or assuming control of Russian arms producing corporations. See 'Reliance signs pact with Russian arms firm as Modi visits Moscow', *Reuters*, 24 December 2015.

245. Obama had already visited India in 2005.

246. 'Despite excitement at home, Modi's visit fails to make headlines in major US newspapers', *Scroll.in*, 25 September 2015. As noted by the author of the article, this was in sharp contrast with the American press' treatment of the almost contemporary visit by Pope Francis.

prominent members of the Obama administration to India or by eminent members of the Indian government to the US.²⁴⁷

All these visits, but particularly the ones by Barack Obama to India and Narendra Modi to the US, although «extraordinarily rich in political symbolism», at the end of the day «failed to produce a substantive outcome».²⁴⁸ According to former Ambassador M. K. Bhadrakumar, this happened because «the sort of market access that the US is demanding and the high Indian expectations regarding American investments are unrealistic in a near term.»²⁴⁹ However, US access to the Indian market and US investments in India were not the only issues on the table. Two additional, interrelated and crucial ones were Washington's attempt to integrate India's military with the US forces deployed in the Asia-Pacific region and its contemporary effort – really the other face of the same coin – to more firmly bring India inside the American arc of containment around China.

As far as the opening of the Indian market to US capital is concerned, there were two main problems to be solved. One was the definition of the terms for operationalizing the 2008 civil nuclear cooperation agreement; the second was the signing of a bilateral investment agreement between the two countries.

The 2008 civil nuclear agreement had possibly been George W. Bush's major political success in the area of foreign relations. However, the agreement had nevertheless failed with respect to the economic goal of opening the Indian market to US nuclear firms, mainly because of the passing of the Nuclear Liability Act by the Indian Parliament in 2010, which allowed both the victims and the operators of a nuclear plant involved in a disaster to sue the suppliers «for tortuous and criminal liability»,²⁵⁰ effectively deterring the US nuclear companies from entering the Indian market.²⁵¹ Already during his 2014 trip to the US, Modi had signalled his intention to modify the US-India nuclear agreement in such a way as to accommodate the needs

247. US Secretary of State John Kerry was the keynote speaker at the 2015 «Vibrant Gujarat» conclave on 11 January 2015; US Defence Secretary Ashton Carter visited India four times, the most important visit being his three day stay on 2-4 June 2015; India's Foreign Minister Sushma Swaraj and India's Commerce Minister Nirjala Sitharaman visited the US at the end of September; India's Defence Minister Manohar Parrikar visited the US on 7-10 December.

248. This judgement was given by former Ambassador M.K. Bhadrakumar with reference to Obama's visit. See his 'Obama's India visit a big blank', *Asia Times*, 30 June 2015. However, the same judgement can be extended to Modi's September visit to the US.

249. *Ibid.*

250. Rohan Tigadi, 'Critical Analysis of the Indian Civil Nuclear Liability Act, 2010', *Social Science Research Network*, 16 May 2012

(http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2254490), p. 8.

251. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', p. 304.

of the American nuclear firms.²⁵² Although news circulated²⁵³ that the two parties were willing to compromise, it remains the fact that, as noted by the former Ambassador M. K. Bhadrakumar, «there [was] no clarity whether the understanding [concerning India's nuclear liability law] reached at the governmental level (details of which haven't been divulged) would stand scrutiny in a court of law or even prompt the American companies to shed their inhibitions over the Indian law (which, they say, does not conform to the international covenants on liability in nuclear commerce)».²⁵⁴

Indeed, the lack of clarity highlighted by Bhadrakumar still persisted at the end of the period under review. During the same period, no indication has emerged of a newly found willingness on the part of US nuclear firms to enter the Indian market.

As far as the bilateral investment treaty between the US and India is concerned, this had been under negotiation for years. This negotiation, stalled in February 2014, was restarted on January 2015, when visiting US secretary of state John Kerry, taking part in the «Vibrant Gujarat» conclave, made a strong case for it.²⁵⁵ The American position on the bilateral investment treaty was that it, by facilitating protection of intellectual property rights, would encourage US companies to invest in India.²⁵⁶ However, any speedy progress in the negotiation was impeded by uncertainties on the Indian part. Indeed, at the beginning of 2015 India was reviewing its existing bilateral investment model agreement, on which 83 Bilateral Investment Promotion and Protection Agreements (BIPPAs) with several foreign countries had been based since 1994. The problem was that, in the previous two years only, the pre-existing bilateral investment model agreement had paved the way to no less than 17 arbitration proceedings initiated by international companies against the Indian government.²⁵⁷ This being the situation, the Ministry of Commerce proposed scrapping the BIPPAs altogether; the ministries of Finance and of Foreign Affairs, however, proposed modifying the existing model by modifying the investor-State dispute settlement in such a way as to prevent foreign companies from taking the Indian government to international arbitration unless all legal and administrative remedies in India had been exhausted.

Both the above solutions were bound to be opposed by the US government and investors, which, not without reason, considered the Indian

252. *Ibid.*, p. 313 and fn. 277.

253. 'India, US move forward with major breakthrough in N-deal', *The Times of India*, 25 January 2015.

254. M. K. Bhadrakumar, 'Obama's India visit a big blank'.

255. 'India, US agree to restart talks on bilateral investment treaty', *The Times of India*, 12 January 2015.

256. *Ibid.*

257. Rajrishi Singhal, 'The biggest investment deal between India and the US is nowhere close to completion', *Quartz*, 24 January 2015.

judicial system slow and inefficient. US investors in particular appeared concerned regarding the question of intellectual property rights, which they saw as being routinely infringed upon by India, in spite of India's claim that its regime was in line with the WTO's Trade-Related Aspects of Intellectual Property Rights.²⁵⁸

In due course the Indian government finalized a new bilateral treaty model framework, deciding in favour of the Ministry of Finance-sponsored solution. This brought forward several US objections to the Indian position.²⁵⁹ As a consequence, at the end of the year under review, «the long pending bilateral investment treaty between India and the US [appeared] nowhere on the horizon».²⁶⁰

As far as the high Indian expectations regarding American investments are concerned, Modi's main attempt at increasing them was made during his second visit to the US in late September. Modi, after a stopover at the UN headquarters in New York, spent most of his time on American soil meeting 47 among the US's main Chief Executive Officers (CEOs), some of whom – as in the cases of Google, Microsoft, and Adobe – were of Indian origin.²⁶¹ As during his previous visit to the States one year earlier, Modi declared that «India was open for business». Also «he listened to the Americans carefully, and seemed to take [their] complaints on board without defensiveness». For their parts, the American CEOs «praised the [Indian] prime minister's efforts but highlighted a host of obstacles».²⁶² However, at that point in time it had already become clear that the mood was not that of the previous year and the enthusiasm for Modi had somewhat cooled down. In the period between Modi's two American trips, the US CEOs and politicians had expected the Indian Prime Minister to translate his first announcement about India being «open for business» into «doing the business».²⁶³ This was something that had not happened, at least not at the speed with which foreign investors had expected Modi to proceed. Indeed, the changed attitude of the American business community and politicians had already become apparent on the eve of Modi's second arrival in the States. During the US-India CEO Forum held in Washington on 21 September 2015, US Secretary of Commerce Penny Pritzker had remarked that the World Bank ranked India 186 out of 189 countries on the ease of en-

258. *Ibid.*

259. For a summing up of the US objections to the Indian position see Jayanta Roy Chowdhury, 'Modi set for US, sans key treaty', *The Telegraph*, 21 September 2015.

260. Alyssa Ayres, 'PM Modi in US, take two', *The Indian Express*, 25 September 2015.

261. *Ibid.*; Seema Sirohi, 'In corporate America, public enthusiasm but private disappointment about Modi', *Scroll.in*, 27 September 2015.

262. All quotations are taken from Seema Sirohi, 'In corporate America, public enthusiasm but private disappointment about Modi'.

263. *Ibid.* See also 'Governance reform is No 1 priority: Modi to top American CEOs', *Asia Times*, 25 September 2015.

forcing contracts. «In fact – Pritzker had stated – it can take years to resolve a contractual dispute with a vendor in India, and terms are too frequently reinterpreted after a deal has closed. These challenges make it incredibly costly and unpredictable to do business in India, and only serve to impede the operations and investments of Indian and foreign firms alike.»²⁶⁴ For his part, during the same event, Honeywell CEO David Cote, while declaring that he was «pretty bullish» on India's efforts to cut red tape, decried the Indian bureaucracy as «stultifying».²⁶⁵

Summing up, the impression is inescapable that the US business community had concluded that Narendra Modi, although willing to accommodate their needs, was not up at doing that, at least in the near future. Accordingly, in spite of the rise in US direct investment in India – noted in a previous section – this remained well below India's expectations and the US business community's potentialities.²⁶⁶

During the year under review, Washington's doubts about India's ability to fully integrate into the US-dominated neoliberal economic space became evident in relation to India's «unambiguous interest in joining APEC»²⁶⁷, namely the Asia-Pacific Economic Cooperation forum, which includes 21 Pacific rim nations and was founded in 1989 to promote free trade in the region. Indeed, joining the APEC forum was seen by both New Delhi and Washington as a necessary stepping-stone to India joining the Trans-Pacific Partnership treaty. The January 2015 US-India Joint Strategic Vision for the Asia Pacific and Indian Ocean Region had welcomed India's interest in joining the Asia Pacific Economic Cooperation forum, noting that «the Indian economy is a dynamic part of the Asian economy.»²⁶⁸ But in the following months the matter rested there, without any new developments.²⁶⁹ Significantly, in the joint press conference following the Modi-Obama New York meeting of 28 September 2015, India's Prime Minister's statement that he looked «forward to work with the US for India's membership of the Asia Pacific Economic Community» was not reciprocated by the US President.²⁷⁰

264. U.S. Department of Commerce, *U.S. Secretary of Commerce Penny Pritzker Addresses U.S.-India Commercial and Economic Relationship at Carnegie Endowment for International Peace*, 21 September 2015.

265. Tom Risen, 'India's Modi Seeks More Investment From U.S. Tech Sector', *U.S. News*, 21 September 2015.

266. In fact, in some cases US entrepreneurs did cut their connections with India. The case of commodities trading guru Jim Rogers of Rogers Holding, who exited from the Indian market to invest in Chinese shares, is emblematic. See 'Investor Jim Rogers takes too hard a view on India', *Asia Times*, 3 September 2015.

267. Alyssa Ayres, 'Where's India On The Trans-Pacific Partnership?', *Forbes*, 6 October 2015.

268. The White House, Office of the Press Secretary, *U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region*, 25 January 2015.

269. Alyssa Ayres, 'What's New in the U.S.-India Strategic and Commercial Dialogue', *Council of Foreign Relations – Asia Unbound*, 23 September 2015.

270. Alyssa Ayres, 'Where's India On The Trans-Pacific Partnership'.

As far as the US attempt to closely integrate the Indian military with its own military forces in the Asia-Pacific sector is concerned, this depended upon the finalization of some contentious pacts, in particular the Logistic Support Agreement (LSA), the Communication Interoperability and Security Memorandum Agreement (CISMOA), and the Basic Exchange and Cooperation Agreement for Geo-Spatial Cooperation (BECA).

The LSA envisaged reciprocal logistical support on barter or an equal value exchange basis, whereas the CISMOA and BECA would enable the US to transfer high-tech avionics and electronics to India. However, in spite of their seeming advantages for India, these pacts, when they had first been discussed during the UPA's time in office, had eventually been steadfastly opposed by the then Defence Minister, A. K. Antony, who had come to the conclusion that they limited India's full control of its own military forces, and gave the US unfettered access to India's military installations and to sensitive data, including India's encrypted systems.²⁷¹ With the coming to power of the BJP government, the negotiations had been restarted and the US had pressured India to accept the pacts, which were described as «foundational» in the development of the military ties between the two countries.²⁷²

Although at the beginning of June 2015 a new 10-year US-India defence framework was signed in New Delhi, renewing the previous one, signed during the first UPA government in 2005,²⁷³ the more specific military pacts still remained up in the air. A new and more intense phase in the negotiations concerning the LSA started at the end of year under review, during Defence Minister Manohar Parrikar's visit to the USA (7-10 December 2015), whose «open mind» on signing the pact was appreciated by the US negotiators.²⁷⁴ However, at the end of the period under review, the finalization of the LSA had not yet been reached.²⁷⁵

While unable to finalize the LSA, CISMOA and BECA, the US had considerably more success in more firmly inserting India into their own arc of containment around China. In fact, during Obama's January trip to India, the two countries signed a joint document officially setting out their com-

271. 'Ahead of Barack Obama visit, US and India revive talks on controversial military pacts', *The Times of India*, 24 January 2015. Wasantha Rupasinghe, 'India in talks to open ports, bases to US military', *World Socialist Web Site*, 16 January 2016.

272. 'US pushes India to ink contentious defence pacts', *The Times of India*, 27 February 2015.

273. The renewal of the 10-year defence pact had already been announced during President Obama's visit in January. However, its formal signature occurred during US Defence Secretary Ashton Carter's visit (2-4 June 2015). See K. Ratnayke, 'US defence secretary boosts military ties with India', *World Socialist Web Site*, 5 June 2015.

274. Sushant Singh, 'Manohar Parrikar's US visit: traversing the distance from symbolism to substance', *The Indian Express*, 17 December 2015.

275. Wasantha Rupasinghe, 'India in talks to open ports, bases to US military'.

mon vision for the Asia-Pacific and Indian Ocean region. This document, which re-stated their common position on the topic, which had already been arrived at during the September 2014 Modi's visit to the United States, was most notable for reasserting Washington's anti-Chinese position on «safeguarding maritime security and ensuring freedom of navigation and over flight throughout the [Asia-Pacific and Indian Ocean] region, *especially in the South China Sea*».²⁷⁶

The joint document was seen by some commentators as prefiguring the «eventual amalgamation of India's Act East Policy and US's Asia pivot»,²⁷⁷ as adumbrating a closer integration of India's foreign policy in the Asia-Pacific region within the US's anti-China arc of containment policy. However, at first, New Delhi seemed both bent on distancing itself from what it unofficially termed a «strategic misinterpretation» of its foreign policy goals,²⁷⁸ and concerned about the consequences of openly espousing the US anti-Chinese arc of containment policy.

On the other hand, the US appeared determined to push India exactly in that direction. This was mainly done by pressuring New Delhi to integrate Japan in the Malabar naval exercises.²⁷⁹

The annual «Exercise Malabar», from a very modest beginning in 1992, off the coast of Goa, had gradually progressed «to become a high point of Indo-US defence cooperation at the operational level [...] with high strategic significance».²⁸⁰ In 2007 «Exercise Malabar» was held twice, the first time off the coast of Japan, the second time in the Bay of Bengal, and expanded from a bilateral to a multilateral exercise, with Japan taking part in the first session and Australia and Singapore joining India, the US, and Japan in the second session. The 2007 expansion of «Exercise Malabar» was part of a strategic quadrilateral dialogue involving Washington, New Delhi, Tokyo, and Canberra and clearly aimed at containing China. Indeed Beijing responded to it by issuing formal diplomatic protests, which induced both India and Australia to pull out of the quadrilateral dialogue, «citing political and economic reasons respectively».²⁸¹ For its part, the Malabar Exercise continued as a merely bilateral India-US military drill.

However, US Defence Secretary Ashton Carter, during his visit to New Delhi on 2-4 June 2015, had both «singled out “India's Act East policy”

276. The White House, Office of the Press Secretary, *U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region* (emphasis added).

277. 'Nuclear deal among five key takeaways from Obama visit', *The Times of India*, 29 January 2015.

278. M. K. Bhadrakumar, 'Obama's India visit a big blank'.

279. K. Ratnayake, 'US defence secretary boosts military ties with India', *World Socialist Web Site*, 5 June 2015.

280. Suresh Bangara, 'Why America, India and Japan are Playing War Games at Sea', *The Quint*, 14 October 2015. The author had been Commander-in-Chief, Southern Naval Command, of the Indian Navy.

281. *Ibid.*

as a strategy that the US supported» and stressed that «the US “pivot” or “rebalance” to Asia complemented India’s Act East Policy».²⁸² Also, high on Carter’s agenda was the goal of convincing India to once again include Japan in the Malabar exercise. This was an attempt that, after the official disbanding of the quadrilateral dialogue, had been made during the UPA government’s tenure to no avail.

Indeed, according to an anonymous «top defence ministry official», even this time India was unlikely a change its position.²⁸³ However, in the end, India’s Foreign Minister Sushma Swaraj met in New York with her US and Japanese counterparts in September, inaugurating a «trilateral ministerial dialogue».²⁸⁴ Soon after the news became official that the annual Malabar exercise would henceforth include Japan.²⁸⁵ As a consequence, in October, a Japanese destroyer joined US and Indian ships in the Malabar exercise in the Bay of Bengal.²⁸⁶ Although Japanese participation could appear limited, from a strictly military standpoint it was «operationally and strategically significant», as claimed by a former Commander-in-Chief of the Indian navy’s Southern Naval Command.²⁸⁷ But, of course, the real importance of Japan’s participation was political: the fact that the Malabar exercise had once again been upgraded to include both the US and Japan clearly signalled that India had jettisoning its original shyness about being seen as openly taking part in the US sponsored anti-China arc of containment.

4.2. *The India-China relationship: economic engagement and political containment*

4.2.1. *Engaging China*

All the above brings us to India’s China policy. As during the first six months of Modi’s government, during 2015 it continued to have two apparently contradictory aspects: economic engagement and political containment.

282. K. Ratnayake, ‘US defence secretary boosts military ties with India’.

283. ‘Japan on Agenda as US Defence Secretary Ashton Carter Meets Union Minister Manohar Parrikar Today’, *NDTV*, 3 June 2015.

284. ‘US, India, Japan Hold First Trilateral Ministerial Dialogue, Call for Freedom of Navigation’, *NDTV*, 30 September 2015. See also Prashanth Parameswaran, ‘Why the «new» US Trilateral Dialogue With Japan and India Matters’, *The Diplomat*, 1 October 2015. In fact a trilateral US-India-Japan dialogue had already been in progress, but only at the assistant secretary level.

285. Wasantha Rupasinghe, ‘India in talks to open ports, bases to US military’. Unofficially the news had already circulated at the end of June. See ‘Exercise Malabar: Japan Navy to join India, US in Bay of Bengal’, *The Indian Express*, 30 June 2015.

286. ‘Eye on China in Malabar war games’, *The Telegraph*, 13 October 2015.

287. Suresh Bangara, ‘Why America, India and Japan are Playing War Games at Sea’.

The first aspect was apparent during Modi's visit to China (14-16 May 2015); the second was visible during the whole year in India's proactive policy in the Indian Ocean, in East and Central Asia and in the Pacific. Indeed, the bulk of India's initiatives in the above areas appeared to have New Delhi's need to build its own arc of containment around China as a common subtext.

Modi's May 2015 visit to China aimed at procuring both Chinese investment in support of India's economy and Chinese help in realising his «make in India» pet project. The visit was not without results, as «24 agreements for cooperation in education, science, and economic development, including railways, aerospace, mining and tourism, said to be worth over \$ 10 billion» were signed.²⁸⁸ Moreover, 21 business-to-business deals worth US\$ 22 billion were also signed. Many of the deals entailed Chinese banks' financial support to Indian firms and, in some cases, to joint India-China ventures (for example in the field of steel production).²⁸⁹ This, in a way, nicely dovetailed with the fact that India and China were already acting in partnership in a number of important international initiatives, such as the BRICS Development Bank and the Asia Infrastructure Investment Bank (AIIB).²⁹⁰ However, as noted by M. K. Bhadrakumar, at a closer look many of the above agreements were «in the nature of MOUs», namely memoranda of understanding, which, although «good for the optics», might not get implemented.²⁹¹ Also, a host of problems that are making the relationship between the two Asia giants difficult were left either unaddressed or unresolved.

From a political standpoint, the main problem remained the question of the disputed borders and the uncertainty itself of the LAC (Line of Actual Control), namely the provisional India-Pakistan border, in much of its course. This was such a complicated problem that it could be highlighted – as Modi did during a speech given at the prestigious Tsinghua University, in Beijing²⁹² – but not solved during a tree-day visit, even though it was well prepared in advance.

More significant for judging the status of the relationship between the two countries was a series of economic questions. First of all, work on the industrial parks that China should have set up in India, as agreed during China's President Xi Jinping September 2014 visit to India, had not yet taken

288. Deepal Jayasekera & Keith Jones, 'India's Modi woos and Warns China', *World Socialist Web Site*, 21 May 2015.

289. *Ibid.* See also: Bill Savadove, 'India's Modi brings home \$ 22 billion in China deals', *Yahoo News*, 16 May 2015; Harsh V. Pant, 'Modi's refreshingly novel outreach to Beijing', *The Japan Times*, 20 May 2015.

290. Deepal Jayasekera & Keith Jones, 'India's Modi woos and Warns China'.

291. M. K. Bhadrakumar, 'India tries to forge a new relationship with China', *Asia Times*, 18 May 2015.

292. 'Read full text: PM Modi's speech at Tsinghua University, Beijing', *The Times of India*, 15 May 2015.

off. Also, during Modi's visit China's distinct lack of interest in the «make in India» project was evident. On the other hand, no offer on China's part to involve India in the «New Silk Road» project was made.²⁹³ However, the main and more urgent problem that remained unresolved was the question of the growing imbalance vis-à-vis India of the growing China-India trade.

India-China trade, which has been growing steadily from as little as US\$ 2.92 billion in 2000 to US\$ 70.25 billion in 2014, making China India's largest trading partner in goods, is highly imbalanced in favour of China. India's trade deficit increased from US\$ 18.65 billion in 2009 to US\$ 36.88 billion in 2013 and then skyrocketed to US\$ 46.29 billion in 2014.²⁹⁴ This was not such a surprising development, given the nature of India-China trade: while China exports high value goods, such as telecommunications equipment, computer hardware, industrial machinery and other manufactured goods, India sends back mostly raw materials such as cotton yarn, copper, petroleum products, and iron ore.²⁹⁵

In his Tsinghua University speech Modi hinted at his dissatisfaction with the existing Sino-Indian trade partnership by pointing out that: «to maintain this partnership over the long run, we must also improve the access of Indian industry to the Chinese market». To this, Modi hastened to add: «I am encouraged by President Xi's and Premier Li's commitment to resolve this problem».²⁹⁶

Unfortunately, in spite of Modi's exhibited optimism, no sustained policy on China's part, aimed at solving this problem, appears to have taken shape, at least during the period under review.

4.2.2. *Containing China*

The second aspect of Modi's China policy – containing China – can be seen not only as the other face of the policy of engaging China, but, more generally, as an expression of India's strategic surge aimed at reclaiming the

293. M. K. Bhadrakumar, 'India tries to forge a new relationship with China'.

294. All the data on bilateral trade and trade deficit are based on Indian Embassy, Beijing, 'India-China Bilateral Relations - Economic and Trade Relations', without date; accessed on 31 December 2015 (the data for 2014 are provisional). See also: Press Information Bureau, Government of India, Ministry of Commerce & Industry, *Trade between India and China*, 13 August 2014. According to data reported by *The Hindu*, related to the comparison between the financial years 2013-14 and 2014-15, the negative trend was further increasing. See 'India-China trade deficit swells 34% to \$48 billion', *The Hindu*, 13 May 2015.

295. Anant Vijay Kala, Raymond Zhong & Niharika Mandhana, 'Gaps That Define the India-China Relationship, in Charts and Maps', *The Wall Street Journal*, 13 May 2015. Press Information Bureau, Government of India, Ministry of Commerce & Industry, *Trade between India and China*, 13 August 2014.

296. 'Read full text: PM Modi's speech at Tsinghua University, Beijing'.

position of great power and a main player in an area extending from the western side of the Indian Ocean to the Pacific and including the whole of South Asia. This strategic surge was given expression in a series of official visits by the Indian Prime Minister to the states of the area, with the accompanying signing of bilateral agreements, and a series of bilateral naval exercises, involving the Indian navy and the navies of other countries. Also, this strategic surge was also expressed, on both the political and theoretical level, at an international conference, where India announced the launching of a «Cotton Route» policy, in clear competition with China's «Silk Road» policy.

In March, that is, before his visit to China, Modi embarked on a five-day tour to three Indian Ocean island states: Seychelles, Mauritius, and Sri Lanka (10-14 March 2015). In all three cases, India offered military aid and opened lines of credit with the explicit aim to counter China's growing influence in the Indian Ocean.²⁹⁷

This was followed by a three-day international conference (18-20 March 2015) held at Bhubaneswar (Odisha). The conference, entitled «India and the Indian Ocean: Renewing the Maritime Trade and Civilisational Linkages», was conceived as the official launching of a «Cotton Route» policy, aimed at reviving the pre-colonial connections between India and a series of Asian and African countries. The conference included a close-door session and saw the participation of no less than four Indian ministers, among whom the Foreign Affairs Minister, Sushma Swaraj, plus India's National Security Adviser, Ajit Doval, and several foreign ambassadors («at least a dozen»).²⁹⁸ According to Indian government sources, the idea on which the conference was based was «to balance China's growing maritime ambitions, especially its security interests and projects that have adverse implications for India's defence.»²⁹⁹

Part of the «Cotton Route» policy can be considered Modi's visit to Dhaka (6-7 June 2015). Although the contentious issue of the sharing of the waters of the Teesta River could not be solved, a series of important agreements were concluded. These included, among others, the long-due rationalization of the common borders, Bangladesh's engagement to create

297. Sachin Parashar, 'Govt's Indian Ocean gambit gathers pace', *The Times of India*, 18 February 2016; Sanjeev Miglani, 'Modi to ramp up help for Indian Ocean nations to counter China', *Reuters*, 4 March 2015; Wasantha Rupasinghe, 'Modi visiting Indian Ocean islands in bid to undermine China's influence', *World Socialist Web Site*, 10 March 2016; Deepal Jayasekera, 'Modi bears strategic «gifts» to Seychelles and Mauritius', *World Socialist Web Site*, 14 March 2016; Wasantha Rupasinghe, 'Modi visits Sri Lanka to push for closer ties against China', *World Socialist Web Site*, 18 March 2016.

298. 'Indian Ocean conference will discuss strategic challenges', *The Hindu*, 16 March 2015; 'To counter China's Silk Road, India is working on Cotton Route', *The Economic Times*, 23 March 2015. See also Andrew Korybko, 'What Could India's «Cotton Route» Look Like?', *Sputnik News*, 29 March 2015.

299. Dipanjan Roy Chaudhury, 'India plans cotton, ancient maritime routes to counter China's ambitions', *The Economic Times*, 17 April 2015.

an India-reserved special economic zone in the hinterland of the port city of Mongla, and the opening to Indian cargo vessels of the Chittagong and Mongla ports. Particularly the opening of the Chittagong port to Indian traffic was bound to irk China, as the port had been developed thanks to China's help, as part of Beijing's «string of pearls» policy.³⁰⁰ Also, while in Dhaka, Modi announced a US\$ 2 billion line of credit to Bangladesh, to be used to finance infrastructure, power, health, and education projects.³⁰¹

In July 2015, news circulated that the Indian navy was aiming at having 200 warships operational by 2027, up from 137.³⁰² This was followed by the first-ever joint maritime exercise held off the East coast of India on 11-19 September 2015 by the Indian Navy and the Royal Australian Navy.³⁰³ Finally a «strategic partnership» declaration between India and Singapore was signed on 24 November 2015, during Modi's visit and was accompanied by the inking of 10 bilateral pacts in the fields of defence, cyber security and civil aviation.³⁰⁴

Also part of the «Cotton Route» strategy (although India's eastward pre-colonial sea routes only went as far as China but did not reach the Pacific Ocean) can be considered the second Forum for India-Pacific Islands Cooperation (FIPIC), held in Jaipur (Rajasthan) on 21 August 2015. The first FIPIC had been held in November 2014, in Suva, Fiji, when Modi had visited that small island nation. In Jaipur, Modi, speaking to the representatives of 14 Pacific nations, offered the establishment of an FIPIC trade office in Delhi and promised to fund solar power infrastructures and to help in setting up early warning and response systems for extreme weather events.³⁰⁵

Summing up, India's policy aimed at containing China can be seen as an expression of India's strategic surge in South Asia and in the Indian and Pacific Oceans. Among the nations which were drawn in the net weaved by Narendra Modi's hectic foreign tours in the above mentioned geographical

300. 'Now, India gets to tug at China's «string of pearls»', *The Times of India*, 7 June 2015.

301. *Ibid.* See also: Deepal Jayasekera, 'Indian prime minister visits Bangladesh to strengthen ties against China', *World Socialist Web Site*, 12 June 2015; Sudha Ramachandran, 'Modi bridges gaps between India, Bangladesh', *Asia Times*, 12 June 2015.

302. Zachary Keck, 'Watch Out, China: India's Navy Wants 200 Warships', *The National Interest*, 15 July 2015.

303. 'India-Australia naval exercise - «AUSINDEX 15»', *Daytodaygh*, 12 September 2015 (<http://www.daytodaygk.com/india-australia-naval-exercise-ausindex-15>). See also: 'Australia, India to Hold First Ever Naval Exercise Amid China Concerns', *The Diplomat*, 1 September 2015.

304. 'India, Singapore sign joint declaration on «strategic partnership»', *Business Line*, 24 November 2015.

305. John Braddock, 'India reaches into South Pacific to counter China', *World Socialist Web Site*, 27 August 2015. The Pacific island nations taking part in the 2nd FIPIC were Fiji, Cook Islands, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

areas, some – Bangladesh, Sri Lanka and Fiji (where half of the population is of Indian origin) – had traditionally been a privileged object of India's foreign policy. However, in the case of the others, the visit of an Indian Prime Minister had been a novelty, as it had been a novelty that India was supplying military and economic aid to these nations.

4.3. *India's difficulties in its own neighbourhood*

In spite of Modi's foreign policy activism and his attempt to project India as a major world power and define the Indian Ocean-South Asia-Pacific Ocean as an Indian sphere of influence, the fact remains that India either failed to develop more harmonious relations with some of its closest neighbours or contributed to making them more difficult. The former is the case of Pakistan, the latter that of Nepal. Significantly, in both cases, the shadow of China appears in the background. We shall dwell first on Nepal and then on Pakistan.³⁰⁶

4.3.1. *The India-Nepal crisis*

Nepal had been one of the first countries to be visited by Narendra Modi, soon after his election, in August 2014. At the time, the relations between New Delhi and Kathmandu seemed to have reached an all-time high, as Modi's commitment to massively invest in the Himalayan country arrived after the crucial role played by India in mediating the end of the long civil war which had bloodied Nepal from 1996 to 2006. Furthermore, when Nepal was hit by two devastating earthquakes in April and May 2015, India was ready to succour its small neighbour.

However, the relations between the two countries suddenly nosedived following the promulgation of the Nepal's new constitution on 20 September 2015, which established the country as a secular federal republic organized in seven states.³⁰⁷ India publicly not only expressed its dissatisfaction with the contents of Nepal's constitution³⁰⁸ but, while officially denying

306. An additional, although less relevant, case, showing India's difficulties with neighbouring countries, is that of the Maldives. See Parul Chandra, 'While Modi jets from Fiji to Mongolia, India is loosing influence in its own backyard', *Scroll.in*, 31 August 2015; 'Maldives foreign land ownership reform bill is approved', *BBC News*, 23 July 2015.

307. In reality, the India-Nepal relations had started to cool down after the constituent assembly elections in 2008, when India's continuing direct political engagement in Nepal started to be seen as unnecessary and aimed «to secure its own interests over hydropower energy, development projects, business, and trade». Hemant Ojha, 'The India-Nepal Crisis', *The Diplomat*, 27 November 2015.

308. Sanjoy Majumder, 'Why India is concerned about Nepal's constitution', *BBC News*, 22 September 2015.

doing that, immediately imposed a de facto blockade on the movement of first necessity goods to the Himalayan country.³⁰⁹

According to India, the new constitution restricted the political rights of the inhabitants of the Madhes or Terai region, namely the plains bordering with India, where some 40% of the Nepali population lived³¹⁰. India claimed that this was bound to produce a backlash, which could become violent and even spill beyond the border; because the inhabitants of the southern Nepali plains were closely related to the inhabitants of the Indian state of Bihar. Also, and rather funnily – considering the totally different position consistently taken by the BJP in the case of Sonia Gandhi, whose Italian origin had been an unending source of polemics and personal and political attacks – India objected to the fact that, according to the new constitution, only citizens by descent, and not citizens by birth or by naturalization, were entitled to occupy the top political, judicial and security positions, such as president of the Republic, Prime Minister, head of the judiciary and head of the police. Equally funny was the request that foreign women married to a Nepali citizen should automatically acquire the Nepali citizenship.³¹¹ More concretely, India's real political objective seems to have been the creation of two Madhes provincial states, which would run 800 kilometres along the southern border, being only 20-30 kilometres wide. By many, this move was seen as potentially endangering Nepal's territorial integrity.³¹²

Although this is not the place to discuss the democratic features of Nepal's constitution, in order to put the Indian government's claims and behaviour in perspective, some points need to be highlighted.³¹³ The first is that some of the Nepal's constitution key aspects favourably compare with the Indian Constitution. The Nepali constitution abolishes the death penalty;³¹⁴ explicitly abolishes any discrimination based not only on «origin, religion, race, caste, tribe», but also on «sex, physical condition, condition of health, marital status, pregnancy, economic condition, language or region,

309. 'Nepal Summons Indian Envoy as Hundreds of Cargo Trucks are Halted at Border', *The Wire*, 26 September 2015. Up to the end of the year under review, New Delhi went on claiming to have no responsibility in the blockade. The reason that impeded the normal flux of goods to Nepal – New Delhi falsely claimed – was the continuing unrest on the Nepali side of the border. See 'A controlled Indian blockade on Nepal (BBC Report), available in *United We Blog!*, 10 December 2015.

310. Sanjoy Majumder, 'Why India is concerned about Nepal's constitution'.

311. Again Sonia Gandhi's case is telling. Sonia Gandhi had *not* acquired the Indian citizenship by marrying Rajiv Gandhi. She had acquired it by applying for it. In spite of this, her right to be considered an Indian citizen had constantly been put in doubt by the BJP and other Indian political parties. For India's objections to the Nepali constitution see Shubhajit Roy, 'Make seven changes to your Constitution: India tells Nepal', *The Indian Express*, 24 September 2015.

312. Hemant Ojha, 'The India-Nepal Crisis'.

313. *The Constitution of Nepal* (http://www.nepalembassy-germany.com/pdfs/Constitution_full_english.pdf).

314. *Ibid.*, p. 13 (Part-3, 16, 2).

ideology or on similar other grounds»;³¹⁵ establishes «that women members constitute at least one third of the total number of members elected to the Federal Parliament» by any given party;³¹⁶ or, in case a party is unable to do that, enjoins the party to «so elect that women members constitute at least one third of the total number of members elected to the State Assembly from that party».³¹⁷ Also, the constitution establishes a National Women Commission, with extensive powers, among which is that of monitoring «as to whether laws concerning the rights and interests of the women and obligations under the international treaties to which Nepal is a party have been implemented».³¹⁸ The Nepali Constitution also grants extensive rights to the Dalits, among which «free education with scholarship, from primary to higher education».³¹⁹ Last but not least, the Nepali Constitution introduces a mixed electoral system, according to which a part of the representatives in the two houses of Parliament are elected according to the first-past-the-post method and the remaining part according to the proportional method.³²⁰ In other words, in contrast to the Indian electoral system, the Nepali one, while assuring governability through the first-past-the-post system, allows a closer correspondence between the popular vote and the number of representatives elected in Parliament, thanks to the proportional method.³²¹ This, by itself, goes a long way towards preventing the danger – so evident in the first-past-the-post system – that the minorities go unrepresented.

It should also be stressed that the Nepali constitution was approved by the 601-members Constituent Assembly on 17 September 2015 by an overwhelming majority. In fact, 507 members voted for it; 25 members, representing the pro-Hindu and pro-monarchist Rastriya Prajatantra Party

315. *Ibid.*, p. 15 (Part-2, 18, 2).

316. *Ibid.*, p. 58 (Part-8, 84, 8).

317. *Ibid.*, p. 115 (Part-14, 176, 9). According to the Constitution, Nepal is divided in seven states.

318. *Ibid.*, p. 174 (Part-27, 253, 1, b).

319. *Ibid.*, p. 26 (Part-3, 40, 2).

320. More precisely, the Federal Parliament is composed of two houses: the House of Representatives and the National Assembly. The former is composed of 165 members elected according a first-past-the-post system and 110 members elected through a proportional system, «with the whole country being considered as a single election constituency». *Ibid.* p. 59 (Part-8, 84, 1 a & b). The National Assembly is composed of 56 members elected «by an electoral college composed of members of the State Assembly, chairpersons and vice-chairpersons of the Village Bodies, and Mayors and Deputy-Mayors of the Municipalities, with different weightage of vote», plus three members nominated by the President. *Ibid.*, p. 63 (Part-8, 86, 1, a). For their part, 60% of the members of the state assemblies are elected through a first-past-the-post system and the remainder through a proportional system. *Ibid.*, p. (Part-14, 176, 1, a & b).

321. The distortions brought about by the first-past-the-post system, particularly in plural societies as India and Nepal, are well known. As an example, it suffices to remember India's 2014 general elections, when the BJP, with only 31% of the popular vote, was able to secure the absolute majority of the Lok Sabha seats.

Nepal, voted against it; finally, most of the absent members, belonging to small parties representing the ethnic minorities residing in the southern plain, boycotted the vote.³²² This does not mean that all or even the majority of the representatives of the Terai/Madhes region boycotted the vote, as the majority of them had been elected in the national parties and, therefore, voted for the constitution.³²³

Contemporaneously to the opposition put up in the Constituent Assembly, the small Madhesi parties launched a series of violent demonstrations, which, already by 18 September, resulted in some 40 deaths, half of which were members of Nepal's police and Armed Police Force.³²⁴ This agitation continued to be carried out in the following months, resulting in further deaths.³²⁵

Two aspects of the anti-constitution agitation must be stressed. The first is that, in spite of what was claimed by much of the Indian press, it was carried out only by a part of the Terai population, which did not include the Dalits and landless people.³²⁶ The second is that the suspicion is legitimate that Indian agents acting as provocateurs helped to organize the agitation itself, as the death of an Indian national and the arrest of several others seem to confirm.³²⁷

The blockade – for which, contrary to all evidence, the Indian government continued to deny any responsibility – resulted in «severe and chronic shortage of fuel, essential commodities and medicines».³²⁸ The situation became so bad that, in a statement issued on 30 November 2015, UNICEF denounced the risk of death or disease for more of 3 million children under the age of 5 due to a severe shortage of fuel, food, medicines and vaccines. This situation was due to the fact that, as diplomatically stated in the UNICEF's press release, «In the past 10 weeks, vital imports

322. 'Nepal passes new secular constitution amid protests for Hindu nation', *DNA*, 17 September 2015.

323. Hemant Ojha, 'The India-Nepal Crisis'. The same point is also made by Professor S. D. Muni, although with the caveat that the Madhesi belonging to the national parties who had voted for the constitution had done so «under the pressure of their political bosses». S. D. Muni, 'India's Nepal Policy Needs Caution, Not Grandstanding', *The Wire*, 23 September 2015.

324. Hari Phuyal, 'Nepal's New Constitution: 65 Years in the Making', *The Diplomat*, 18 September 2015.

325. Prashant Jha, 'Nepal crisis deepens as Madhes movement marks 100 days', *Hindustan Times*, 23 November 2015. Of course, most Indian newspapers portrayed the Madhes movement as a heroic democratic and progressive struggle against a clique holding power in Kathmandu.

326. Hemant Ojha, 'The India-Nepal Crisis'.

327. M. K. Bhadrakumar, 'Lyndon Johnson, India's Modi and a cow named Bessie', *Asia Times*, 3 November 2015.

328. 'Don't interfere in our internal affairs: Nepal PM warns India', *Asia Times*, 2 November 2015. See also Vijith Samarasinghe, 'Nepal turns to China for fuel to counter Indian blockade', *World Socialist Web Site*, 2 November 2015.

of essential commodities have been severely restricted at Nepal's southern border due to unrest over the country's new constitution.»³²⁹

All this translated in a rapid increase in anti-Indian sentiments in the Himalayan country.³³⁰ For its part, the Nepal government, while trying to appease India, opened negotiations with China, from which it received some essential fuel supplies.³³¹ But geography stood against any possibility that, at least for the time being, this counterstrategy could be effective. While Nepal appears sandwiched between the two Asian giants, the truth is that the lines of communication with India are easier and shorter than those with China,³³² which really makes Nepal an «India-locked» country.³³³ This means that supplies from China were slowed down and made overly expensive by geography.

However, by the end of the year, the fact started to become apparent that New Delhi had overplayed its hand. The Modi government had been right in assessing that the major powers, including the US, while not necessarily being enthusiastic about India's behaviour vis-à-vis Nepal, would leave a free hand to New Delhi.³³⁴ The problem was that, on the domestic front, the open opposition to the Nepal policy of some intellectual circles was joined by the silent, but much more redoubtable opposition of two other groups. One was the business community trading with Nepal; the other was the RSS. The latter had always been in sympathy with what had hitherto been the only Hindu state in the world and, accordingly, hostile to the new secular constitution. However, the fact that India's intervention was justified with the need to defend both Nepal's democracy and the rights of the Madhes people and Nepali women disturbed the RSS, as a distraction from the real objective, namely supporting the political forces opposing secularism in Nepal.³³⁵

329. UNICEF, Press release – Nepal: serious shortage of essential supplies threatens millions of children this winter.

330. As noted by Professor S.D. Muni: «A huge new constituency of India haters has been created in Nepal as a consequence of Modi's coercive diplomacy». S. D. Muni, 'India and Nepal Must Step Back from the Precipice', *The Wire*, 8 November 2015.

331. Vijit Samarasinghe, 'Nepals turn to China for fuel to counter Indian blockade'.

332. Nepal declines southward from the Himalayan mountain ridges to the Gangetic Plain. The way to China is made difficult by the presence of the Himalayas, and Kathmandu is much nearer to Delhi and the Indian and Bangladeshi ports than to Beijing and the Chinese ports.

333. The first to point out that Nepal was rather an India-locked than a land-locked country was Professor Leo E. Rose, in his *Nepal. Strategy for survival*, Berkeley: Berkeley University Press, 1971. One of the authors of the present chapter, Michelguglielmo Torri, heard Professor Rose making use of that definition, while attending one of Rose's courses at the University of California, Berkeley, in the academic year 1974-75.

334. S. D. Muni, 'India and Nepal Must Step Back from the Precipice'.

335. C. K. Lal, 'Indian Diplomacy is Being Tested by Nepal's Realities Once Again', *The Wire*, 26 December 2015.

By the end of the year, there were timid signs that Modi's government was searching for some face-saving formula to break the impasse which it had so powerfully contributed to creating.³³⁶

At the time of writing, the India-Nepal crisis is still on-going, which makes it impossible to arrive at a final assessment of it. However, two tentative points can be made, the first related to the causes of the crisis, the second to its consequences.

When one goes beyond the rather funny and scarcely convincing claims that the Modi government's intervention was motivated by its love for democracy and preoccupation with the political rights of the Madhesi minorities and the gender rights of the Nepali women, the suspicion is legitimate that such an intervention was triggered by the conviction that the Nepali government and constituent assembly, by not heeding New Delhi's wishes, were taking too independent a stand. Clearly Modi and his government considered Nepal as a sort of protectorate, a conviction which was widely – even if (most of the times) unconsciously – shared by the bulk of the Indian commentators and public opinion. This motivated the Indian government's arrogant and brutal behaviour, rightly compared to that of Lord Curzon of colonial lore vis-à-vis the Indian princely states and Tibet.

Concerning the consequences of the crisis, it is clear that not only anti-Indian sentiments in Nepal had reached an all-time high, but that the local political class was bound to try to countervail India by building closer ties with China. Of course, in the year under review, recourse to this strategy was drastically limited by the scarcity, length, and difficulty of the land routes connecting Nepal to China. However, the situation was bound to dramatically change in the near future because of the expansion of the railway and all-weather highway connections between the two countries, triggered by the India-Nepal crisis itself.³³⁷

4.3.2. *The India-Pakistan relationship*

Since the beginning of his mandate Modi had put Pakistan in front of the choice between either accepting New Delhi's own guidelines concerning the modalities of the relationship between the two countries or being isolated and put under pressure.³³⁸ In other words, New Delhi's Pakistan policy was not so different from its Nepal policy; the problem was that Pakistan was

336. *Ibid.*; Arushi Gupta, 'Nepal Crisis: Will India lose its neighbor?', *South Asian Voices*, 22 December 2015; 'Crisis deepens, Nepal gets in touch with Indian envoy', *The Indian Express*, 25 December 2015; 'India hopes «difficult days» will not affect Indo-Nepal ties', *The Indian Express*, 26 December 2015.

337. 'Qinghai-Tibet railway to reach Nepal in 2020', *China Daily*, 7 April 2015; 'Nepal-China agree to enhance bilateral trade', *The Himalayan Times*, 6 November 2015; 'More The Merrier', *Repubblica*, 4 January 2016.

338. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', pp. 307-08.

not only a more powerful country than tiny Nepal, but also a country which, in contrast to Nepal, had an extremely favourable geopolitical position. Not surprisingly, by the early months of 2015 indications started to abound that Modi's Pakistan policy was badly failing.

The attempt to isolate Pakistan from the US could proceed only up to a point. Although the relationship between Islamabad and Washington was not particularly warm, Washington's decision to maintain an important military presence in Afghanistan until 2018 made the safeguarding of tolerably good relations with Islamabad imperative.³³⁹

On a different front, after having been traditionally difficult, Russo-Pakistan relations started to suddenly flourish. The turning point was the end of Russia's embargo on arm sales to Pakistan and the inking, in November 2014, of a «milestone» military cooperation agreement between the two countries.³⁴⁰ In mid-April 2015, this was followed by Moscow's decision to invest US\$ 2 billion in the building of a 1,100-kilometres pipeline for the transport of liquefied natural gas from the port city of Karachi to Lahore.³⁴¹

The Russia-Pakistan deal, however, was soon dwarfed by the almost contemporaneous launching (20 April 2015) of a \$46 billion Chinese project, the China-Pakistan Economic Corridor (CPEC). The CPEC – a set of railways, all-weather highways, and pipelines, aiming at connecting Pakistan's southern Gwadar port on the Arabian Sea to China's western Xinjiang region – was an integral and radically important part of the Chinese new «Silk Road».³⁴² The Corridor aimed at providing China with a safer new route to the Middle Eastern gas and oil fields and the European markets than the sea route going through the Malacca Straits. The CPEC also had the potential to easily be extended to Iran, making possible a China-Pakistan-Iran variation of the Iran-Pakistan-India (IPI) pipeline. After having been on the anvil for more than 20 years, the IPI had not been able to take off, because of American opposition and Indian second thoughts.³⁴³

This being the situation, on 10 July 2015, rather unexpectedly, Narendra Modi and his Pakistani counterpart, Nawaz Sharif, met «for nearly an hour» on the sidelines of the Shanghai Cooperation Organization summit in Ufa (Russia) and decided to restart the negotiation process between the

339. Gabriel Domínguez, 'Why Pakistan will remain a key US ally (interview to Omar Hamid)', *Deutsche Welle*, 14 January 2015; Talat Masood, 'The current dynamic of US-Pakistan relations', *The Express Tribune*, 20 October 2015.

340. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', p. 315, fn. 90.

341. Sudha Ramachandran, 'Russo-Pakistan relations are riding high', *Asia Times*, 24 April 2015.

342. 'China and Pakistan launch economic corridor plan worth \$46 billion', Reuters, 20 April 2015. See also Shannon Tiezzi, 'The China-Pakistan Economic Corridor Gets Even More Ambitious', *The Diplomat*, 13 August 2015.

343. Sualiha Nazar, 'Why Iran Needs to Explore Participation in the China-Pakistan Economic Corridor', *The Diplomat*, October 14, 2015.

two countries, putting together «a clear road map of events» to take the dialogue process forward.³⁴⁴ However, the envisaged dialogue process got derailed even before it started. In fact, its initial step – the meeting in August of the Indian and Pakistani National Security Advisors in New Delhi – was abruptly cancelled on 21 August 2015 by the Indian Foreign Affairs Ministry, on the very eve of the meeting itself.

Although the political preparations for the meeting had been badly managed by both countries,³⁴⁵ the key reason for the negotiations being derailed was India's continuing attempt to unilaterally impose its own modalities and (newly drawn) red lines on the negotiations between the two countries.³⁴⁶

On 30 September 2015, Pakistan Prime Minister Nawaz Sharif tried to re-launch the negotiations by proposing, in front of the UN General Assembly, that Pakistan and India normalized relations by formalizing the 2003 ceasefire line and agreeing to an expansion of the UN Military Observer Group to monitor a new ceasefire. Sharif's proposal was responded to by India's Foreign Affairs Ministry spokesperson Vikas Swarup, tweeting that: «To demilitarize Kashmir is not the answer. To de-terrorize Pakistan is».³⁴⁷ This was followed by India's decision, in October, «to take an aggressive position on Balochistan», highlighting the «atrocities» by Pakistani forces both there and in «Pakistan occupied Kashmir».³⁴⁸

In this inauspicious contest there was a new coup de theatre, namely the meeting of the Pakistani and Indian National Security Advisors in Ban-

344. 'The Ufa takeaways and reason for hope', *The Hindu*, 11 July 2015.

345. Mahmud Durrani, 'Time to move from posturing to dialogue', *The Hindu*, 1 September 2015.

346. As in 2014, the meeting was cancelled because India objected to the Pakistan Embassy long-time habit to consult with representatives of the Hurriyat political front. See Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', pp. 307-308; Siddharth Varadarajan, 'Modi Erred Once in Making Hurriyat the Issue. He Should Not do So Again', *The Wire*, 19 August 2015; Rana Banerji, 'As Pakistan Plays Hurriyat Card, Modi is Caught in a Bind of His Own Making', *The Wire*, 21 August 2015.

347. 'India rebuts Kashmir initiative from Pakistan's Sharif', *Deutsche Welle*, 1 October 2015; Shivam Vij, 'India looks bad rebuffing Pakistan peace overture', *Deutsche Welle*, 1 October 2015.

348. 'After PoK, India turns focus on Balochistan', *The Hindu*, 8 October 2015; 'Security concerns trump diplomacy', *The Hindu*, 9 October 2015. In fact India had a long story of meddling in Baluchistan, which had finally been highlighted by an investigation on an alleged terrorist group by British authorities in 2015. See Owen Bennet-Jones, 'Pakistan's MQM «received Indian fundings»', *BBC News*, 24 June 2015. Of course, India's meddling in Baluchistan was reciprocated by Pakistan's meddling in Kashmir. See, e.g., 'Pakistan supported, trained terror groups: Pervez Musharraf', *Asia Times*, 28 October 2015. Anyway, India's decision to highlight Pakistan's «atrocities» in Baluchistan was both new and rash, given India's own abysmal record in the Kashmir Valley.

gkok on 6 December 2015.³⁴⁹ The meeting itself – which had been prepared in the most absolute and unbroken secrecy – was the result of a «path-breaking 167-second long talks in Paris», between Modi and Sharif, held on 30 November 2015, on the sideline of the climate summit.³⁵⁰

From Bangkok onward, the stalled dialogue process appeared to proceed at full speed. On 8 December India's External Affairs Minister Sushma Swaraj travelled to Islamabad where she held talks with her Pakistan counterpart Sartaj Aziz. At the end of them, at a joint press conference, Swaraj made public the two country's decision to launch a «Comprehensive Bilateral Dialogue».³⁵¹ A fortnight later, this was capped by the «surprise move» by Modi, who, on his way back to New Delhi from Kabul – where he had visited the new Parliament building, gifted by India – made an «un-scheduled stopover» in Lahore (25 December), to meet Nawaz Sharif on his birthday.³⁵² It was a typical vintage Modi move, a highly symbolic personal meeting aimed at highlighting that a new phase in the India-Pakistan relationship had begun.

Summing up, during 2015 Modi's policy vis-à-vis Pakistan, in spite of a false start, had turned on its head: as late as June 2015, while in Bangladesh, Modi had publicly attacked Pakistan for «constantly» troubling India by promoting terrorism,³⁵³ some six months later he had celebrated Pakistan Prime Minister's birthday in the latter's family home near Lahore.³⁵⁴ More importantly, by accepting the re-launch of a «comprehensive dialogue», Modi had de facto abandoned his attempt, pursued from the start of his prime ministership up until August 2015 and beyond, to impose his own preconditions on the dialogue with Pakistan.

The fact remains that the history of the difficult Pakistan-India relationship, particularly in the last few decades, is such as to make anybody sceptical about the fact that any sudden positive turn can really last over time. Both in Pakistan and India there are powerful interests which mili-

349. 'India, Pakistan NSAs meet in Bangkok', *The Hindu*, 6 December 2015.

350. M. K. Bhadrakumar, 'Modi scores a hat-trick on Pakistan', *Indian Punchline*, 8 December 2015. The claim that the meeting lasted 167 seconds only is Bhadrakumar's and is unsupported by other sources. See, e.g., 'Nawaz, Modi meet on sidelines of Paris climate summit', *Dawn*, 30 November 2015; 'In Paris, a brief climate-change moment', *The Indian Express*, 1 December 2015. However, the Modi-Nawaz meeting must have been brief indeed.

351. Swaraj said: «We have decided to restart the Comprehensive Bilateral Dialogue. The dialogue that was earlier known as Composite Dialogue and later on known as Resumed Dialogue will now be known as the Comprehensive Bilateral Dialogue». '7 years after Mumbai attacks, India, Pakistan resume dialogue', *The Hindu*, 10 December 2015.

352. 'Narendra Modi rewriting diplomatic lexicon', *Livemint*, 28 December 2015.

353. 'In Bangladesh, PM Modi accuses Pakistan of promoting terrorism', *Hindustan Times*, 8 June 2015.

354. 'Narendra Modi rewriting diplomatic lexicon'.

tate against any real and long-lasting detente between the two countries. Accordingly, it comes as no surprise that, in the past decades, any positive diplomatic steps aimed at pushing forward meaningful negotiations between Islamabad and New Delhi have inevitably been marred by the increase in incidents along the border and, sometimes, by terrorist attacks.

4.4. *India at the Nairobi World Trade Organisation meeting*

On 27 November 2014, the WTO's General Council had set 31 December 2015 as the final deadline for arriving at a permanent solution to the controversial problem of stockholding of food crops, maintained by developing countries for security reasons. Public stockholding of food crops was opposed by the developed countries, which claimed that it distorted market prices. For their part, less developed countries, led by India, had strongly defended their right to stockholding, pointing out that it was crucial to protect the poorer strata of their own population against the danger of scarcity or famine. Thanks to the spirited fight led by India, first at the WTO ministerial conference held in Bali in December 2013, and then in a series of secretive dealings with the US during the second half of 2014, the WTO had provisionally accepted the right of developing and least developed countries to hold public stockholding of food crops beyond the limits officially established by the WTO itself. This right had been sanctioned by a «peace clause», namely an agreement that, while standing, would suspend any legal challenge to the food subsidy policy of any WTO country. At Bali the expiry date of the «peace clause» had been set at 2017; later on (13 November 2014), the US and India had announced that they had agreed on the fact that the «peace clause» would have an indefinite timeframe. A few days later, on 27 November 2014, the WTO's General Council «unequivocally» agreed to the indefinite «peace clause», fixing however – as noted above – 31 December 2015 as the deadline to solve the food stockholding problem.³⁵⁵

This being the situation, the tenth ministerial WTO meeting, scheduled to be held in Nairobi on 15-18 December 2015, was bound to be the place where the whole question of food stockholding and the «peace clause» would be solved. Moreover, some further questions were on the anvil. One was the Special Safeguarding Mechanism (SSM), which developing and least developed countries wanted in order to temporarily raise tariffs in case of surging imports and related price falls. Another problem was the cutting of «trade distorting» subsidies on agricultural and allied activities, requested by developed countries. A crucial part of this problem was the question of subsidies for cotton. Last but not least, there was the question of the continuation/discontinuation of the Doha Development Agenda (DDA). The

355. Michelguglielmo Torri & Diego Maiorano, 'India 2014: the annihilation of the Congress Party and the beginning of the Modi era', pp. 310-314.

DDA, launched in 2001 at the fourth WTO ministerial conference, aimed at making trade rules more favourable to developing countries. After 14 years without any substantial results, the developed countries (plus Brazil) wanted the DDA to be abandoned, a proposal which was strongly resisted by developing and least developed countries. The Indian delegation, led by Commerce and Industry Minister Nirmala Sitharaman, played an important role in building and leading a united front that included both most developing countries (the exception being Brazil) and the least developed countries.³⁵⁶

Reaching a consensus on all these problems proved difficult enough to force a one-day-extension of the conference to 19 December.³⁵⁷ The final ministerial declaration, while not an unqualified success for India, was nevertheless far from being a failure. Concerning the food stockholding question, the decision was taken to continue the discussion of the problem in the Committee on Agriculture, to be convened in special session. This actually meant that the 31 December 2015 deadline had been cancelled, de facto leaving India free to continue with its existing food stockholding policy. Regarding the SSM, the developing countries' right to it was recognised; at the same time the final ministerial declaration stated that this issue was to be defined and reviewed later on. The question of farm subsidies was left open, but the decision to end farm export subsidies was taken. However, while developed countries were asked to start cutting subsidies immediately, the other countries, including India, were allowed to start doing so as late as the end of 2018. A major reverse for India was related to cotton exports: the ministerial declaration established duty-free and quota-free access to the developed countries market for cotton produce, but only for the least developed countries, excluding from this benefit developing countries, such as India. Finally, on the DDA, the final declaration reaffirmed a full commitment to its fulfilment, although noting that some member-nations disagreed about this. However, as WTO's procedures require the unanimous support of all member-countries for any new resolution, the declaration amounted to a reaffirmation of the validity of the DDA.³⁵⁸

356. 'India toughen stand at WTO after safeguards proposal blocked', *Livemint*, 30 November 2015; 'Firm on agri issues while aiming for permanent solution at WTO: Sitharaman', *Business Standard*, 8 December 2015; 'Battle lines drawn as WTO meet begins in Nairobi', *Business Standard*, 12 December 2015; 'WTO talks explained: What's at stake for Indian agriculture', *Scroll.in*, 15 December 2015; 'Agricultural safeguards sacrosanct to India: Sitharaman tells WTO', *Business Standard*, 16 December 2015; 'Little convergence on export competition: Sitharaman', *Business Standard*, 17 December 2015.

357. 'WTO talks enter overtime as consensus on agri issues elusive', *Business Standard*, 19 December 2015.

358. Unfortunately, the authors have been unable to locate the text of the Nairobi declaration. What is said about its contents comes from: 'WTO meeting: It's back to square one', *Business Standard*, 19 December 2015; 'Cold comfort in Nairobi', *Business Standard*, 20 December 2015; 'India says only some concerns addressed at WTO meet in Nairobi', *Business Standard*, 21 December 2015.

In India – possibly favoured by a tweet by Nirmala Sitharaman, saying: «Utterly disappointed! A unanimous reaffirmation of DDA hasn't happened» – the opposition and most civil society groups portrayed the results of the Nairobi conference as an utter disaster, a «dismal failure» and «nothing, but surrender».³⁵⁹ But it is difficult to see how – given the compact opposition of all the developed countries, led by the US and supported by Brazil – India could have got more.

359. Kudan Pandey, 'Modi government surrenders at WTO meeting in Nairobi: experts', *Down to Earth*, 21 December 2015.