



## WILL MODI METAMORPHOSE INDIA?

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## A NEW LEADER BRINGS HOPE FOR A (REALLY) NEW INDIA

By IMD Professor Jean-Pierre Lehmann – July 2014

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In the eighties as the four “little” dragons – Hong Kong, Singapore, South Korea and Taiwan – achieved sustained dazzling growth rates, as ASEAN became the fastest growing region in what was still referred to as the “Third World”, and as China joined the fray, lots of publications were appearing seeking to explain the secrets behind the “East Asian miracle economies”. It seemed to me at the time that the real “miracle” was that India should be wallowing in desultory growth and development. How could a country with so much amazing brain power perform so badly?

Then came 1991, the year the government of Prime Minister P.V. Narasimha Rao – with his erudite Finance Minister Manmohan Singh – undertook sweeping reforms. The mood is well captured in the words of business leader turned author Gurcharan Das in his book *India Unbound* published in 2000: “It was not until July 1991 that our mood of despair finally lifted with the announcement of sweeping liberalisation by the government of P.V. Narasimha Rao. It was as though our second independence had arrived: we were going to be free from a rapacious and domineering state.”

India’s hour, it was widely felt both in and outside the country, had come. Breathless epithets were used to describe the “new” India – *Rising India*, *Shining India*, *Incredible India!* It became de rigueur to draw comparisons with China, as the term “ChIndia” was coined. India did have a good run, with growth second only to China during the previous decade: from 2000 to 2010 India’s average annual growth was 6.5% (China: 8.8%), with the peak achieved of almost 10%, 9.7%, in 2006.

From the end of the last decade, however, it has been downhill as the Indian soufflé imploded, achieving a mediocre 4.5% growth in 2013. “ChIndia” has been quietly forgotten as China has left India far behind by virtually every economic and social indicator. While their per capita GDPs thirty years ago were even, today China’s GDP per capita (\$6500) is more than four-times greater than India’s (\$1500). India’s total GDP with a population approaching 1.3 billion is roughly twice that of the province of Guangdong alone with a population of 100 million. India has seen a reduction in poverty, but incomparably less than China. Whether in respect to literacy, life expectancy, gender empowerment, among others, China scores come out significantly better than India’s.

In terms of prospects, India’s apparent major advantage vis-à-vis China is demographic. China will be increasingly burdened with an aging population, while India enjoys a demographic dividend, with an abundance of youth and, therefore, a much younger population. The average Chinese is nine years older than the average Indian: respectively 34 and 25 in 2010, projected to 44 and 35 in 2040. The challenge, however, is to educate, motivate and employ this huge number of youth. Currently, while ten-million young Indians join the labour market every year, only two-million are employed in the formal economy. This disaster arises from a number of Indian issues, which include both a dysfunctional rigid labour market and a dysfunctional education system resulting in mass youth unemployment.

Another critical advantage India has is democracy! Elections provide an opportunity to “throw the bums out”, which is precisely what the Indian electorate did to the long-established, smug, patronising, ossified, corrupt Congress Party under its uninspiring and insipid leader, Rahul, scion of the Gandhi dynasty. Congress suffered a humiliating defeat, while the opposition BJP (Bharatiya Janata Party) under its leader Narendra Modi obtained a stunning victory.

Euphoria greeted the results, as can be gauged from the e-mail a former Indian student sent me when I asked for her reactions: “I am absolutely euphoric about Modi’s win. For the first time in many years I am full of hope and confidence for my country. It’s like we have got a second chance to rebuild ourselves and no one can do this job better than Na Mo! My resolve to join politics has become stronger than ever :)”

Modi’s resounding victory arises from a number of dynamic forces. One is the rejection of Congress, not only in respect to its performance, but what it stood for. Congress’s answer to social deprivation was to provide subsidies, rather than opportunities. Modi, who was acclaimed for the impressive achievements made during his four terms as Chief Minister of Gujarat, is seen as favouring active entrepreneurship rather than passive hand-outs.

That in turn resounded with some of the profound social transformations occurring in India. As opposed to hundreds-of-thousands of isolated disparate villages, Indians have become far more interconnected through social media – a tool Modi’s campaign used effectively. Though Modi’s

support was widespread, much of it came from the urban young aspiring professional middle classes, typified by my former student.

So the Modi victory might be, in many Indians' eyes, deemed to be that of a new leader for a (really) new India!

The reaction abroad, especially in the West, has been more ambivalent. In 2002, under Modi's watch, violent sectarian riots broke out which are estimated to have left over one-thousand Muslims dead and thousands more injured. Suspicions of Modi's connivance arise in good part from the fact that he belonged to, indeed was educated and trained by a fundamentalist Hindu organisation, the Rashtriya Swayamsevak Sangh (RSS). To an outsider it would seem that the last thing the world needs, especially in a country as big and influential as India, is a religious (celibate!) fundamentalist leader. Indian secular supporters argue that there are "two Modis" – the religious nationalist and the political pragmatist: as Prime Minister, the latter, they argue, will overwhelm the former. Let us hope so!

Giving Modi the benefit of the doubt – which we should – it must also be recognised that the challenges he faces are formidable. India's hugely bloated bureaucracy, its highly unfriendly business environment, its rigid labour markets and obstructive labour unions, its widespread, seemingly endemic, corruption at all levels, its disastrous infrastructure, its abysmal education system, resulting in huge numbers of (predominantly female) illiterate poor, its widespread testosterone-driven machismo illustrated in rampant rapes, its deep social injustice, reflected, inter alia, in the caste system, are among the obstacles to development.

Among India's assets, of which there are many, one is arguably the world's most vibrant English language literature: India's social condition is vividly captured in Arvind Adiga's debut novel, *The White Tiger* – a must read.

From the fifteenth to the eighteenth century India was the world's richest country. Then, for one-hundred-ninety years (1757-1947) it was subjugated by imperial Britain. In the fifty years prior to Independence, which occurred simultaneously with the disastrous Partition, India's average annual growth rate was zero! The British invested very little in education and undertook virtually no social reforms. From the British Raj, India was then governed for decades by the Congress-dominated License (state-interventionist bureaucracy) Raj.

Can Modi metamorphose India so that it might reflect its past glory and its brilliant civilisation? Can it draw on its formidable brain power – including that big chunk which constitutes its incomparable "diaspora"?

Let us hope so. The stakes are high. If Modi's India should succeed, not only will it be great for the 1.3 (due to reach 1.6 by 2050) billion Indians, but also for the remaining 6.5 (whatever) billion humans. If it fails, it will be an Indian tragedy and a global tragedy. For the sake of my former Indian student who sent me the euphoric e-mail and indeed for all my former and current Indian students, and for the sake of my seven grand-children: long live Modi, long live India!

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