Traveling Man: Modi Goes Global in His First Year as Premier

By Rupakjyoti Borah

One year into his tenure as India’s prime minister, Narendra Modi has signaled clearly that his agenda for reform and development includes essential engagement with foreign investors and improvements in relations with a host of countries — some small and others powerful — as part of a program to engage globally in order to succeed domestically.

Rupakjyoti Borah takes stock of Modi’s accomplishments so far and the challenges that he still faces.
Indian Prime Minister Narendra Modi’s first year in office has been eventful and busy. He took charge on May 26 last year, riding on the crest of a massive wave of support for the Bharatiya Janata Party (BJP) and its allies in parliament. He started on an unorthodox note by inviting all the heads of state from the neighboring South Asian Association for Regional Co-operation (SAARC) nations to his inauguration, which included Pakistani Prime Minister Nawaz Sharif. The historic meeting with Sharif caught many by surprise and gave an indication of things to come.

After he took office, Modi launched the ambitious “Make in India” initiative to get foreign businesses to set up in the country. Since then, he and his ministers have been working hard to sell the idea. The government has already raised the cap for foreign direct investment (FDI) in defense, for example, from 26 percent to 49 percent. During the Modi’s many visits abroad, he has frequently interacted with representatives of various industries in the host countries. During his trip to France, he visited the Airbus facilities in the French city of Toulouse, where Airbus chief Tom Enders said, “Airbus is ready to manufacture in India, for India and the world.” India was also the partner country in the Hannover Messe 2015, the world’s largest industrial fair. It was inaugurated by Modi along with German Chancellor Angela Merkel during his state visit to that country.

During his first year, Modi also talked about “competitive federalism,” in which different Indian states compete with each other to attract more foreign investment by making their business environments more congenial. The government is also working on a project to create 100 so-called Smart Cities in India. This will allow massive investments from other countries, especially in the technology sector.

During Modi’s visit to China in May, agreements worth nearly US$22 billion were signed between Chinese and Indian firms, opening a new chapter in Sino-Indian trade ties, which had been overshadowed by New Delhi’s yawning trade deficit with China. In 2014, even though bilateral trade stood at US$70.65 billion, India faced a whopping trade deficit of US$37.8 billion with China.

Economic Progress and Concerns

Under Modi, inflation levels have come down and interest rates have dropped, while the rupee has stabilized after a period of fluctuation. India is also a founding member of the new China-led Asian Infrastructure Investment Bank (AIIB). When India, very early on, gave its backing to the bank, there were many naysayers, who now have been proved wrong as nations across the world have enthusiastically signed up for the AIIB. India is also a part of the BRICS New Development Bank, whose first head will be an Indian.

Before foreign companies start making a Bee-line to “Make in India,” however, there are several key issues that the Modi government has to tackle. One of them is infrastructure, which is still underdeveloped and a source of frequent complaints from foreign companies. To improve this sector will require a massive injection of foreign capital.

Electricity supply is also lagging and India needs a huge increase in power generation capacity.

India’s recent growth also has come on the back of low crude oil prices. If prices rise again, it will severely impact India’s growth as the country is a net energy importer. The International Monetary Fund (IMF) has predicted that India’s economy will grow by 7.5 percent this year and in 2016, thereby overtaking China’s growth rate, a first since 1999. However, Modi will be hard pressed to ensure that growth is evenly distributed across the country to avoid massive disparities.

India’s railway sector also needs a major overhaul. Already a feasibility study is being carried out jointly by Japan and India for the introduction of high-speed railways on the Mumbai-Ahmedabad route. New Delhi has also welcomed offers from China and France for feasibility studies for high-speed railways on additional routes, while increasing existing speeds on other sectors of the Indian railway network.

Foreign Policy Successes and Challenges

For someone with no foreign policy experience at the national level, Modi has notched up remarkable successes so far. His government has placed special emphasis on the immediate neighborhood. Modi started off with a visit to the Himalayan kingdom of Bhutan, which has been India’s most steadfast ally in the region. The next neighboring country he visited was Nepal.

His first visit outside South Asia was to Japan, thereby showing the country’s importance to the Modi government. During his trip, Modi was successful in getting Tokyo to agree to invest US$35 billion in India’s infrastructure sector over the next five years. He has also reached out to Australia, making a state visit after the G-20 Summit in Brisbane. One reason for India’s interest is because Australia is rich in energy resources. Australian Prime Minister Tony Abbott was the first state guest of the Modi administration. During Abbott’s visit in September last year, Australia and India signed a civilian nuclear co-operation deal. Adequate supplies of uranium are key for the success of India’s nuclear energy program. Although in the past, Australia had refused to supply uranium to India because New Delhi has not signed the Nuclear Non-Proliferation Treaty (NPT), these concerns have now been done away with, although Australia has insisted on strict safeguards.

One of the most important hallmarks of Modi’s first year in office has been the reset in India-US ties. Although Modi had been denied a US visa in the past (because the Gujarat riots of 2002 took place when Modi was chief minister of the state), he has not let this come in the way of better relations. Modi concluded a highly successful trip to the US in September last year; in January this year, US President Barack Obama was the chief guest at India’s Republic Day parade, becoming the first US president to be accorded that honor. He is also the first US president to visit India twice during his presidency.

Taking Care of the Backyard

Earlier this year, Modi visited the Indian Ocean island countries of Seychelles, Mauritius and Sri Lanka. This was imperative given China’s push into the Indian Ocean, with its so-called Maritime Silk Road initiative, which has been seen as an attempt to curtail India’s influence in what it has traditionally seen as its own backyard.

The elections in Sri Lanka resulted in a new president, Maithripala Sirisena, who is both a reformer and good for India. The previous president, Mahinda Rajapaksa, had allowed Chinese submarines to dock in Sri Lankan ports, much to the consternation of India. Sirisena put a stop to that and made his first foreign visit to India, illustrating the change in Sri Lanka’s foreign policy under the new government. Closer to home, the Indian armed forces and organizations such as the National Disaster Response Force (NDRF) stood up to the challenge of the devastating earthquake in Nepal in April, showing India’s capacity and willingness to help out neighbors in distress.

However, there are also numerous foreign policy challenges for Modi. Managing India’s testy relations with China will be critical for...
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the prime minister, because the border dispute between the two countries remains unsettled. In addition, China-Pakistan relations have moved into a higher trajectory after the visit of President Xi Jinping to Pakistan in April. During that visit, Xi committed US$46 billion in funding to Pakistan, mainly directed towards the China-Pakistan Economic Corridor (CPEC), which when completed will allow China to transport materials from Gwadar on the Arabian Sea to Kashgar in western China and from there to other parts of China. It will allow Beijing to bypass the Straits of Malacca, referred to by many as China’s Achilles’ heel.

China’s doublespeak on India was well illustrated in an article in the state-run Global Times in the run-up to Modi’s May visit. “India has also been playing little tricks over border disputes and security issues, hoping to boost his domestic prestige while increasing his leverage in negotiations with China,” wrote the newspaper.

Apart from these countries, the prime minister also visited Brazil, Myanmar, Fiji, Canada, Mongolia and South Korea during his first year in office, already leaving an indelible mark on Indian foreign policy during this period.

THE COMING YEARS

The Modi government has a majority in the Lok Sabha (the lower and more powerful house of parliament), but it lacks a majority in the Rajya Sabha, or upper house, which makes it hard for key bills to be passed. Modi’s pet Land Acquisition Bill, for example, is still languishing in parliament.

While the prime minister has capped an eventful first year in office with impressive foreign policy achievements, in the second year, domestic issues are set to demand the majority of his attention and time. Since the majoruty of Indian agriculture is still rain-fed, economic growth will be hit if the monsoon season is abnormal this year.

There have also been farmer suicides across the country, raising serious questions about livelihoods. Economic growth had slowed during the second term of former Prime Minister Manmohan Singh and was one of the key factors that brought Modi to power.

Modi has also initiated the Swachh Bharat (Clean India) campaign focused on literally cleaning up the country’s streets and alleys, bit by bit. He has successfully roped in a series of celebrities to this laudable and much-needed campaign.

In addition, it is important that more and more women join the workforce in India. For this to succeed, the security and safety of women is paramount as a series of highly publicized rapes have tarnished India’s record both at home and abroad when it comes to the status of women.

For India’s economy to progress, it must reduce its dependence on oil imports and move to cleaner fuels. As new investment flows in from different parts of the world, it will be even more important for foreign investors to get a good return for their money. The prime minister also struck a chord with non-resident Indians (NRIs) in the countries he has visited; it would be hugely beneficial to involve them in India’s growth story.

Modi’s second year in office will no doubt be eventful and challenging, but, as they say, well begun is half done.

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