

# Narendra Modi's biggest opponents to open India seen within his own party

RSS poses what may be the biggest hurdle for Modi to overcome in following through on pledges to open up India



Narendra Modi's campaign message of development, which led to India's biggest electoral win in three decades, masked internal dissent among BJP allies on how much to open the economy to foreign investors. Photo: PTI

**New Delhi:** For Ashwani Mahajan, the key to reviving India mirrors the movement to kick out the British a century ago. Only this time, foreign companies selling everything from insurance to genetically modified (GM) seeds are the colonizers.

"Prime Minister **Narendra Modi** offers the best chance to reclaim India's past glory," according to Mahajan, co-head of an economic policy group linked to the ruling Bharatiya Janata Party (BJP). "Doing so," he said, "means Modi must now resist calls to open the economy to the likes of **Wal-Mart Stores Inc.**, **Monsanto Co.** and **American International Group Inc.**"

"Protecting your economy against the onslaught of foreign competition is never bad and never wrong," Mahajan said in an interview at the office of the Swadeshi Jagran Manch, a unit of the Rashtriya Swayamsewak Sangh (RSS), a Hindu nationalist group that helped Modi take power. "The government should create an atmosphere where we are not dependent on foreign investment."

The RSS poses what may be the biggest hurdle for Modi to overcome in following through on pledges to open up Asia's third-largest economy. Modi must balance the need to secure the RSS's help to win state elections later this year with pressures from pro-business

supporters to spur investment and revive growth, according to Nikita Sud, an associate professor of development studies at the University of Oxford.

"If it were not for the RSS, Modi may not have been nominated as the prime ministerial candidate," said Sud, author of a book on Gujarat. "If the BJP does very well in those elections, he's likely to feel that he's in a stronger position, and then he might want to push through some reforms even if he faces some opposition from the RSS. It's very much going to be a dance between politics and economics."

## Election mandate

Modi's campaign message of development, which led to India's biggest electoral win in three decades, masked internal dissent among BJP allies on how much to open the economy. The party had pledged in its campaign manifesto to allow foreign direct investment (FDI) to create jobs in sectors apart from multibrand retail, end the tax terrorism of the previous regime and make trade a pillar to revive Brand India.

Since taking office, Modi blocked a breakthrough deal at the World Trade Organization (WTO), refrained from allowing foreign companies to take majority stakes in the defence sector and retained a retroactive tax law that has entangled **Vodafone Group Plc** in a \$2.4 billion dispute.

"The Modi government appears hesitant to translate its decisive electorate mandate into bold policy reforms that could help set the economy onto a higher growth trajectory," Eswar Prasad, a former International Monetary Fund economist who teaches economics at Cornell University in Ithaca, New York, said in an email. "The administration seems conflicted in its approach to globalization, lowering barriers on foreign investment in many sectors but allowing trade liberalization to be held hostage by inefficient domestic policies."

## Rupee, stocks

The rupee has lost 3% since the BJP's win, the worst performer in that time among Asia's most widely traded currencies. Stocks have fared better, with the benchmark P BSE Sensex index gaining at about twice the pace of the MSCI Emerging Markets Index, according to data compiled by *Bloomberg*.

"While Swadeshi Jagran Manch has supported Modi's decision on the WTO," Mahajan said, "it's also pushing the BJP to erect more non-tariff barriers to stem imports and scrap a Bill that would allow foreign companies to own 49% in the insurance sector." He dismissed critics who say the group wants to take India back to the stone age.

### 'Humble duty'

"We have the right to protect our companies," Mahajan said. "We have to protect our small enterprises. It is my humble duty to protect my economy, my farmers, my small-scale sector."

Rising imports in recent years widened the current-account deficit, prompting the government to take measures to slow gold shipments last year. The shortfall in the broadest measure of the nation's trade narrowed to \$32.4 billion in the last fiscal year, from an unprecedented \$88 billion in the prior period.

"The BJP's manifesto will primarily guide the government's economic policies," according to G.V.L. Narasimha Rao, a party spokesman. Economic growth could reach as high as 5.9% in the fiscal year through March, according to the finance ministry, from 4.7% the previous year.

"The views of all the stakeholders, particularly from the *Parivar*, will be given due consideration and will be considered seriously," Rao said, referring to the RSS and more than three dozen affiliates, including Swadeshi Jagran Manch, the most vocal group dealing with economic issues.

### Independence struggle

The concept of swadeshi, or self-reliant nation, dates back a century to Mohandas Karamchand Gandhi's push for independence against the British, according to Swadeshi Jagran Manch's website. The group formed in 1991 to fight economic imperialism after a balance of payments crisis compelled India to open its economy to foreign investment, and boycotted brands of **Coca-Cola Co.**, **PepsiCo Inc.** and **Colgate-Palmolive Co.** as one of its first acts.

It since protested Enron Corp.'s plans to build a power plant in Maharashtra and called for India to drop out of the WTO. It has sought a boycott of Chinese goods, opposes open-field trials for GM crops and lists on its website swadeshi-compliant brands for everything from electronics to ice cream.

In the 1990s, Swadeshi Jagran Manch opposed a BJP-led government's moves to make it easier for foreign companies to invest, including tax exemptions and the ability to repatriate earnings. Former finance minister **Yashwant Sinha** wrote in a memoir that he thought of resigning after a senior RSS leader in 2001 told him that he had deviated from the path of swadeshi.

### Blurring identities

Under Modi, a former RSS worker, the group's influence has grown. A recent party restructuring saw Ram Madhav, an RSS spokesman, moved to the BJP as one of eight general secretaries, joining another RSS worker and a former leader of Swadeshi Jagran Manch.

"It seems that the distinction between the RSS and the BJP has become less clear," said Shruti Kapila, a member of the Faculty of History at the University of Cambridge. "While the RSS leaders have been more vocal on issues of culture, notably education and history, they are beginning to assert their views on issues of the economy."

In Gujarat, Modi's RSS ties didn't prevent companies such as **Ford Motor Co.** and **Maruti Suzuki India Ltd** from investing in the state. Gujarat's economy grew at a faster pace than India's during his 12 years in office, with per capita income rising twice as fast as the national average.

Modi last week called for a revival of the manufacturing sector. He invited foreign companies to 'Come, make in India' while imploring his citizens to start producing goods India currently imports so it can become a net exporter. He also said he wouldn't use his majority to push his agenda, saying he favours strong consensus.

### 'All turncoats'

On some issues, he may have a harder time convincing the RSS than his political opponents in parliament. Last month, 25,000 members of the RSS-linked Bharatiya Mazdoor Sangh labour union rallied in the BJP-controlled state of Rajasthan against changes to labour laws that would make it easier to fire workers and attract investment.

The group, which says it represents 20 million workers, plans to bring their protest to the capital next month to fight moves by Modi's government to change federal labour laws, according to Virjesh Upadhayay, its general secretary.

"We are against the BJP government's labour policies and will oppose it with our full might," Upadhyay said by phone. "These politicians are all turncoats. They pursue the same policies that they opposed while in opposition." **Bloomberg**