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Local Policies Help an Indian Candidate Trying to Go National

By ELLEN BARRY MAY 6, 2014

AHMEDABAD, India — To anyone familiar with the quagmire that typically engulfs large building projects in India, the reconstruction of the Sabarmati riverfront — championed for the last decade by Narendra Modi, the leader here in the state of Gujarat — is a startling sight.

Slum neighborhoods have been bulldozed off the riverbank, leaving behind vacant land to be sold to developers. A broad, modernist concrete promenade extends in either direction. And the seasonal droughts that left the Sabarmati dry for much of the year? Those, too, have been taken care of, by rerouting torrents of water from a nearby canal.

To admirers of Mr. Modi, currently the front-runner in the race for prime minister, few things recommend him more than his ability to push through the projects he supports, brushing aside the political and regulatory blockages that stall infrastructure improvements and factory construction in other parts of India.

To a country that once flirted with growth rates that rivaled China's but has slipped into the doldrums, Mr. Modi is promising an economic jump start, pointing to his record in Gujarat as proof that he can deliver. Gujarat's economy has grown 10 percent a year, higher than the Indian average, for much of the last decade.

But an examination of some of Mr. Modi's methods in Gujarat suggests that his successes owe much to his personal power, which is

amplified by a federal system that puts land use in the hands of state leaders rather than the prime minister. Among his projects are some that show little understanding of market conditions, relying heavily on government allocations. And some in Gujarat question whether his penchant for grand, earth-moving building projects makes sense when the state is still struggling with social problems like infant mortality and malnutrition.

Still, Mr. Modi's record as a builder has done much to shape his image. His political life began under a shadow when, months after he took office as chief minister in 2001, religious riots broke out in Gujarat. More than 1,000 people died, most of them Muslims. Blamed by many for failing to take steps to stop the violence, Mr. Modi turned to development to create a new public persona. Business leaders warmed to him quickly, in large part because he took care of them.

A story often told to illustrate the so-called Gujarat Model dates to 2008, when Tata Motors, the Indian automaker, ran into trouble in the state of West Bengal. Tata had bought land to produce its new low-cost car, the Nano, but farmers were protesting, claiming that they had been underpaid or forced from their land. Exasperated by two years of mounting resistance, Tata announced that it was pulling out of West Bengal.

Within a few hours, Mr. Modi sent a text message to Ratan Tata, the company's president. It consisted of one sentence, Mr. Modi later told an interviewer: "Welcome to Gujarat."

Gujarat transferred land to the company within a few days. The plot was mostly on unused government property, so it was not as miraculous as it might have seemed, but it sent a powerful message. Over the next several years, Ford, Peugeot and Maruti Suzuki followed suit with their own plans to build factories in Gujarat. Mr. Modi began to market speedy land acquisition — "no red tape, only red carpet," as he put it — to investors as one of his state's selling points.

Reams of academic work, positive and negative, have been devoted to

defining Mr. Modi's recipe for development, but experts say he has not made substantial changes to laws governing land use. Much of it boils down to personal control over a bureaucratic system notorious for delays and corruption.

Arvind Panagariya, a Columbia University professor whom Mr. Modi may choose as his chief economic adviser if he becomes prime minister, said Mr. Modi "certainly, on any of the major projects, gets involved and sees to it that the necessary permissions get granted." He described one occasion in which an applicant jumped the line for project clearances, presumably by paying someone off, and reached Mr. Modi directly.

"He said, 'I will clear your project, but only if I know how you got here,'" Dr. Panagariya said. Once the applicant told Mr. Modi who had helped him, "he goes back and punishes the person who tried to mess up the system."

Critics say that concentrated power has created problems as well, allowing Mr. Modi's less sound ideas to go unchallenged.

One case study can be found around seven miles from the airport in Ahmedabad, the largest city in Gujarat, where two modern office buildings stand in the middle of a dry, empty field. This is GIFT City, short for Gujarat International Finance Tec-City, intended as an international finance center. The project was introduced to fanfare in 2007, after Mr. Modi was inspired on a visit to Shanghai.

The initial plans, drawn up by a Chinese design institute, were grandiose, calling for the simultaneous construction of 125 glassy skyscrapers, the highest reaching 1,000 feet, with underground roadways and midair pedestrian bridges.

But the plan ignored market conditions. R. K. Jha, director of the project since 2010, said it needed to be radically scaled down, and reduced the first phase of construction to two 29-story office buildings, the tallest structures in Gujarat. So far, there are only four tenants, including the state electricity commission and the development company behind the project.

Last year, Mr. Modi oversaw the drafting of a new city plan by the Ahmedabad Urban Development Authority. Reminded that land should be set aside for low-income housing, Mr. Modi suggested creating a belt for that purpose around the city's periphery, near its ring road, two people familiar with the plan said.

The flaws in the idea were apparent to planners — the city's poor would be forced to commute great distances to their jobs, and private developers would be reluctant to build there — but those who were present kept their reservations to themselves, and the belt was added.

“The problem is that his style of operation is to put the fear of God into people, so he does not even hear the truth,” said a person who has observed Mr. Modi's management at close range, and who spoke on the condition of anonymity.

Mr. Modi was deeply impressed, after becoming leader of Gujarat, by visits to the manufacturing economies of Southeast Asia. Goh Chok Tong, the former prime minister of Singapore, has been described as one of his mentors.

In Gujarat, Mr. Modi has resisted the notion of subsidies, rolling out policies that would pass the Margaret Thatcher test. He built gates and imposed entry fees for one of Ahmedabad's most popular parks, in an effort to prove that the poor would be willing to pay for superior products. He introduced a health insurance system for the poor, hoping to steer them toward private hospitals instead of public clinics.

Economic advisers hope he will go further along this free-market road by privatizing major state firms and scaling back national welfare programs, though they acknowledge that those moves would almost certainly meet with resistance.

“This is a country where, for most people, Barack Obama is a right-wing economic thinker,” said Ashok Malik, a columnist who supports Mr. Modi. The candidate, he added, “is not Milton Friedman, but he is as right as one can get in the Indian political class. He is selling this as a manufacturing economy, that we should make things in India. He would

say, 'Jobs, jobs, jobs.' ”

Already during the campaign, Mr. Modi, the candidate of the opposition Bharatiya Janata Party, has come under heavy criticism from the ruling Indian National Congress party for the incentives he has offered in an effort to attract manufacturers.

Gujarat has had impressive growth over the last decade, and its roads, electricity and water services are excellent. But critics argue that Gujarat had performed well on these measures for many years before Mr. Modi took office, and note that the state still lags on social indicators, in particular infant mortality and child malnutrition.

Gyanshyam Shah, a political scientist in Ahmedabad, said those shortfalls reflected the priority Mr. Modi put on the middle class. So, he said, does the Sabarmati riverfront project, which displaced around 10,000 poor families.

“These projects are meant for the middle class,” Mr. Shah said. “Those who are living on the bank of the river and working as laborers in various sectors, they are pushed behind, far behind.”

There are also serious questions about whether Mr. Modi can replicate at a national level the success he has had bringing manufacturing to Gujarat, a state with the advantages of a long coastline and expanses of vacant land.

India’s federal system makes land use a state issue. Mr. Modi’s advisers hope he will find ways to wield influence from the center, perhaps by creating a “union government” that includes state leaders to oversee projects. But it will be hard to use his Gujarat model in New Delhi, they admit.

“There is a much more entrenched bureaucracy at the national level, and there’s going to be much more stiff resistance,” said Eswar S. Prasad, a professor of trade policy at Cornell University. “Trying to limit red tape — that immediately cuts at the purse strings that politicians have access to. So this is a very tricky issue for him.”

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