European Parliament

Challenges facing India's democracy and economy

SUMMARY

India has a 70-year history of democracy, tolerance and rule of law, and a successful record of managing its patchwork of cultures and religions. In recent months, however, following the second consecutive victory of Prime Minister Narendra Modi's Bharatiya Janata Party in the May 2019 general elections, this situation has been changing under the impact of an ever-increasing Hindu nationalist grip on society and politics.

After Jammu and Kashmir, India's only Muslim-majority state, lost its autonomy, the government adopted the Citizenship (Amendment) Act (CAA), allowing foreigners from six religious communities living in three neighbouring countries to apply for Indian citizenship at a faster pace.

This new legislation has prompted protests and divisions across India, as, according to both internal and external observers, citizenship would be determined along religious criteria, which risks undermining the country's traditional secularism. The government's plan to launch a national register of citizens has further increased the Muslim community's fear of discrimination. Communal tensions flared into violence in late February 2020 in Delhi, claiming 53 lives.

At the same time, India's economy is experiencing a severe downturn: even before the coronavirus outbreak started to have an effect, its growth was slackening and so was job creation, while at the same time unemployment is high, consumer confidence and spending are low, and trust in the banking sector is eroding as credit weakness and non-performing loans hinder its performance. Contrary to expectations, the Union budget for financial year 2021 has not tackled existing structural weaknesses or generated a large fiscal stimulus as an answer to the slowdown.

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Challenges for democracy

India has a 70-year history of democracy, tolerance and rule of law; it has been successful in managing its multicultural diversity, and enshrined secularism in its Constitution. However, this state of affairs is currently challenged by a growing Hindu nationalist influence on society and politics. Freedom House's Freedom in the World 2020 report portrayed India as the only 'free' country in the region, but awarded it a lower score than the previous year, placed it under the spotlight and ranked India-administered Kashmir as 'not free'. Some warning signs were already present during the first term served by Prime Minister Narendra Modi, in charge since the Hindu nationalist Bharatiya Janata Party (BJP) won an absolute majority in the lower chamber (Lok Sabha) in 2014.

Communal violence has increased, as have violence and discrimination against religious minorities. The 2019 World Press Freedom Index has highlighted violence against journalists as one of the most striking characteristics of the current state of press freedom in the country. The government has banned several thousand non-governmental organisations (NGOs) from receiving foreign funding and has sought to get a firm grip on information technology. However, its proposed changes to the Information Technology Act have raised a number of concerns. Furthermore, government members evoked limits on free speech, and have equated dissent with a lack of patriotism. National biometric identity scheme Aadhaar has been criticised as posing a potential threat to privacy and security. India is a world leader in internet shutdowns (there were 106 such suspensions in 2019).

In June 2018, the UN High Commissioner for Human Rights issued a report on Kashmir criticising the excessive use of force by Delhi's security forces in the Indian-administered part. India's official spokesperson rejected the claims of the report. The July 2019 version of this report found that India and Pakistan had taken no steps to improve the situation in Kashmir. India's foreign minister qualified this as the 'continuation of false narrative' ignoring the core issue of cross-border terrorism.

India after the 2019 general elections

The BJP's May 2019 landslide electoral victory for the Lok Sabha exposed the identity crisis the Indian National Congress (INC) was going through and ushered Narendra Modi into a second term as prime minister. Since then, the BJP has stepped up several initiatives catering to its Hindu nationalist electoral base. A symbolic move was when in early August 2019, Jammu and Kashmir, India's only Muslim-majority state, was stripped of its autonomy through the repeal of Article 370 of the Indian Constitution. The move was preceded by a vast deployment of troops to the state and the detention of thousands of political leaders and activists. Telephone and internet services were cut off. After several months of black-out, in January 2020 the Supreme Court ruled that internet services could only be suspended temporarily. The government first partially eased curbs, then lifted some restrictions on mobile internet and access to social media. Two ex-chief ministers were released from house arrest only in March this year, and another's detention has been extended to August; their privileges have been withdrawn; new political formations enjoying governmental support and potentially threatening the dominance of the region's traditional political parties have emerged; and a new law on domicile in Jammu and Kashmir has faced opposition from the region's political leaders.

A further issue prompting reactions all over the country, and concern abroad, has been the Parliament's adoption of the Citizenship (Amendment) Act (CAA) in December 2019. Amending the 1955 Citizenship Act, it enables migrants/foreigners from six religious communities (Hindu, Sikh, Buddhist, Jain, Parsi and Christian, but not Muslim) in three

> ### The NRC and the NPR
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> India's national register of citizens, will list the names of all legal Indian citizens. It was launched for the first time in the north-east state of Assam; though complex, if accomplished, this listing process could push 1.9 million Assam inhabitants into statelessness. The government has announced it intends to implement the NRC across the country.
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> The NPR, or the national population register for 'usual residents', will serve as a comprehensive database of people based on where they reside in India, to allow the government to trace subsidies to their beneficiaries. The database would contain demographic as well as biometric data. The exercise was to be carried out from April to September 2020 alongside the 2021 census, but has been deferred due to the coronavirus outbreak.

neighbouring countries (Afghanistan, Bangladesh and Pakistan), who had come to India fleeing religious persecution before 31 December 2014, to apply for Indian citizenship via a fast-track route. The adoption of the CAA has prompted spontaneous nationwide protests, some of which have been the focus of violent police crackdowns. In most parts of the country, the narrative against the CAA is based on the government's decision to grant citizenship along religious lines, which arguably undermines India's secular tradition enshrined in the Constitution. Outright critics see the legislation as deliberately anti-Muslim. In the comparatively scarcely populated north-eastern states, protests have been driven instead by concerns that the amended law may allow Hindu migrants from neighbouring Bangladesh to settle in large numbers, threatening its cultural identity.

India's Muslim majority already felt targeted when in July 2019 the Parliament passed a bill criminalising the Muslim practice of instant divorce (triple talaq). The government has announced its intention to move towards the launch of the national register for citizens (see text box above). As many Indians lack the documents needed to attest their citizenship, they fear that the NRC in liaison with the CAA could lead to them facing deportation. UN Secretary-General António Guterres has echoed these concerns, warning of the risk of statelessness. UN High Commissioner for Human Rights, Michelle Bachelet Jeria, has filed an Intervention Application on the CAA to the Supreme Court; the latter is due to examine more than 160 CAA-related pleas. The Ministry of External Affairs' spokesperson objected to the UN's move, qualifying the issue as domestic.

The government has rejected criticism, explaining that the CAA does not affect Indian citizens' rights and has nothing to do with the deportation of foreigners from India. It protects the interests of the tribal and indigenous people in the north-eastern part of India by excluding their areas – areas under the Sixth Schedule of the Constitution and areas covered by the Inner Line Permit system (which requires an official travel document) – from the CAA's scope. The legal process for acquiring Indian citizenship through naturalisation (Section 6 of the 1955 Citizenship Act) or through registration (Section 5 of the Act) stays in force. The authorities also rejected claims that the CAA would harm Assam inhabitants' rights.

Several hate speech incidents occurred during BJP rallies in the wake of the 8 February 2020 election for the Delhi Legislative Assembly. A few BJP leaders and activists raised the slogan *goli maro salon ko* ('shoot the traitors of the country') in response to the protests against the CAA, symbolised in Delhi by a continuous sit-in in the Shaheen Bagh area. The BJP improved its share of the vote compared to the 2015 elections by getting eight of the 70 seats available, but conceded defeat to the Aam Aadmi Party ('Common Man's Party' AAP), which obtained the remaining 62.

On 23 February, just before US President Donald Trump's visit to India – which failed to deliver deals on trade or security – a BJP leader gave a three-day ultimatum to Delhi police to clear a protest against the CAA and the NRC by women at Jaffrabad metro station, threatening to intervene directly if his orders were not obeyed. Hours later, three-day riots, mostly targeting Muslims, began in the north-eastern parts of Delhi; the tally was 53 dead due to physical assault or gunshots and 200 injured. Furthermore, houses and shops were burned and mosques were vandalised. On 26 February, a Delhi High Court judge who, as part of investigating the riots, had asked the police to register first-information reports (a specific report related to criminal offences) against BJP leaders for delivering hate speeches, was transferred to another location with immediate effect, a move causing concern over the independence of the judiciary.
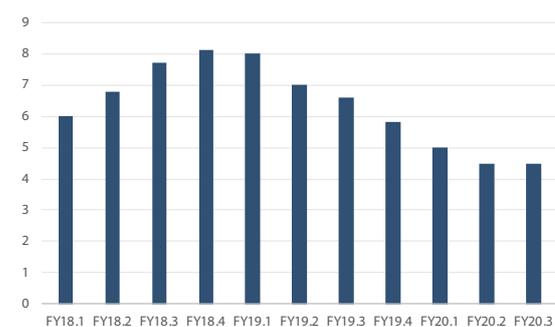
Economic downturn

It has been argued that the BJP's current style of politics may be an attempt to divert attention from the government's inability to deliver on its promise to create growth and jobs. In 2018, India rose to seventh place in the gross domestic product world ranking, right behind France. It also overtook China as the world's fastest-growing major economy, achieving a growth rate of 8 % in 2017. At that time, analysts expressed scepticism regarding these figures, as perceptions of real growth and other indicators pointed to a less optimistic framework. Anyway, the positive trend has stalled and the Indian economy is now growing at a slower pace (see Figure 1): according to the Central Statistics

Office, a mere 5 % in the financial year (FY) 2019/20, the slowest growth rate since 2009. Disruption due to the outbreak of the Covid-19 coronavirus led the State Bank of India to lower estimates for FY 2020 to 4.1 % growth and to a mere 1.1 % for FY 2021.

Job creation is lagging, in a country with 800 000 young people joining the labour force every month. The National Sample Survey Office's periodic labour force survey has found that unemployment stood at a 45-year high of 6.1 % in 2017-2018. At the end of 2019, consumer confidence plunged to its lowest level since 2014, while a 2017-2018 expenditure survey showed consumer spending had dropped for the first time in 40 years. Other elements of economic setback include persistent credit weakness due to non-banking financial companies keeping credit conditions tight, coupled with the build-up of bad loans (India has the worst bad-loan ratio in the world). In March 2020, with the growing coronavirus pandemic the Indian rupee plunged to a record low against the US dollar. Unveiled in February 2020, the Union budget for FY 2021 has cut middle-class income taxes to boost consumer spending; stepped up rural spending; raised import tariffs to protect domestic manufacturing; and set a target of raising around US$29 billion from disinvestment in public companies, including debt-laden Air India. The budget has not met expectations of tackling existing structural weaknesses and providing a large fiscal antidote to the economic slowdown.

Figure 1 – Indian economic growth FY 2018-2020 in %

Source: State Bank of India, quarterly data. 26 February 2020.

India and the coronavirus

The coronavirus outbreak (which led to postponement of the 15th EU-India summit, scheduled for 13 March in Brussels) has prompted Prime Minister Modi – who has since addressed the nation five times – to put the entire country under lockdown since 25 March, with an easing in some areas since 3 May. India could still be at an early stage of contagion and there is concern for the country's public healthcare system – in which the State invested 1.28 % of GDP in FY 2019. As many work in the informal sector, they have no social security. States, which bear the main burden in fighting the pandemic and have demanded more resources from Delhi, reacted by closing borders and suspending labour rights: border closures have blocked migrants and may impact agriculture, which depends greatly on them. Authorities have organised more than 200 repatriation flights for Indians stranded abroad. There have been allegations of the police, under the cover of the crisis, cracking down on Muslim communities, accused by right-wing extremists of spreading the coronavirus.

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