

To see India's future, go south

The country's regional division could make it—or break it



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Most people know that India is a rising economic power. It is already the world's fifth-largest economy and is growing faster than any big rival, with a turbocharged stockmarket that is the fourth-largest of any country's. It is also common knowledge that India's prime minister, Narendra Modi, is its most powerful in decades and that, as well as economic development, his agenda includes a Hindu-first populism that can veer into chauvinism and authoritarianism. Less well known is that these competing trends of development and identity politics are together fuelling a striking third trend: a growing north-south split.

The wealthy south is where you will find the slick new India, with its startups, its campuses and gleaming iPhone-assembly plants. Yet Mr Modi's party gets a low share of its votes from there and relies on the poorer, more populous, rural, Hindi-speaking north. This north-south divide

will be a defining issue in the election in April and May, in which Mr Modi is expected to win a third term. How the split is managed in the long run is of critical importance to India's prospects. In one alarming scenario, it could create a constitutional crisis and fracture India's single market. In a more benign future, resolving this divide could moderate India's harsh identity politics.

Geographical divides often influence how countries develop. America's politics and economy still reflect the legacy of the civil war. When Deng Xiaoping sought to open up China's economy in 1992, he took a "southern tour" to Guangdong province. His endorsement of its entrepreneurial culture and history of openness thwarted Communist Party conservatives and led to the boom that fuelled China's rise as an economic superpower.

Understanding India's divide begins with economics. The south has long been richer and more urban. The southern five of India's 28 states (Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Telangana) contain 20% of the population, but account for 30% of its loans and for 35% of the flow of foreign investment in the past three years. Better government, education and property rights help explain this outperformance and have fostered enterprise and a more sophisticated financial system. A gap that has existed since independence in 1947 has widened over the decades. In 1993 the south contributed 24% of India's gdp. The latest figure is 31%.

When foreign bosses visit India they still pay tribute to the national government in Delhi, but many of the most exciting business opportunities require a flight to the south. Consider the shift in global supply chains from China to India: 46% of India's electronics exports are from the south. In India's famous startup scene, 46% of tech "unicorns" are southerners, coming especially from Bangalore. The five southern states provide 66% of the it-services industry's exports. The latest craze is for "global capability centres", where multinationals assemble their global auditors, lawyers, designers, architects and other professionals: 79% of these hubs are in the south.

Even as the south acts as India's economic engine, its politics are on a separate planet from those of the north. There the emphasis is on the Hindi language, macho Hindu identity politics and, often, the demonisation of Muslims. Mr Modi's Bharatiya Janata Party (bjp) promotes all

that alongside its mantra of national development, partly out of ideological fervour and partly because it wins elections.

In the south that bjp formula works less well. Since the 1960s voters have backed regional parties that promote English, Tamil and other local languages, and advocate less strident Hindu values. In 2019 only 11% of the bjp's voters and a mere 10% of its parliamentary seats were from the south. In the party's one southern bastion, Karnataka, the bjp lost control of the state legislature in elections in 2023. Mr Modi dreams of running a modern, tech-enabled central government that reaches across the whole country. Yet for all his electoral triumphs, he still lacks a truly national mandate.

How will these geographical tensions be resolved? A thriving national single market is crucial to India's growth because it allows firms to achieve economies of scale for the first time and permits a more efficient allocation of national resources, from energy to labour. Inter-state trade rose from 23% of gdp in 2017 to 35% in 2021, underpinning growth. Mr Modi has done an impressive job of creating nationwide infrastructure, from a unitary tax system to transport and digital-payments schemes.

Yet under India's constitution most of these reforms required co-operation between the central government and the states. So will the next lot. Education, which needs deeper reform, is a joint responsibility. More young Indians in the jobs-scarce north must be able to move to find work in the south. To power its economy and cut emissions India needs a truly national energy market.

Pessimists fear a re-elected Mr Modi will upset the constitutional balance. Southern leaders already accuse him of targeting them with bogus corruption probes, withholding central-government funds and extracting an unfair level of tax to subsidise the north. The south could also lose out after 2026 when parliamentary-constituency boundaries are due to be redrawn. Against the south's wishes, the bjp could impose Hindi as the national language.

Over the next decade this kind of confrontation could get in the way of essential economic reforms. In the very worst scenario it could even lead to calls to break up India. Talk of secession last surfaced after independence and was suppressed with a ban in 1963 on any politician proposing it.



A different future

Fortunately, India and Mr Modi have a far better alternative. Another way for the bjp to be competitive in the south is for it to moderate its Hindutva message, restrain its promotion of Hindi, put more weight on economic development and advance more moderate successors to Mr Modi than his coterie of headbangers. It is early days, but our reporting from alongside the bjp's southern leadership this week suggests that some of these shifts may be taking place. South India already offers a vision of the future for India's economy. If Mr Modi and his party choose wisely, the south may be an augury for its politics, too.■

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