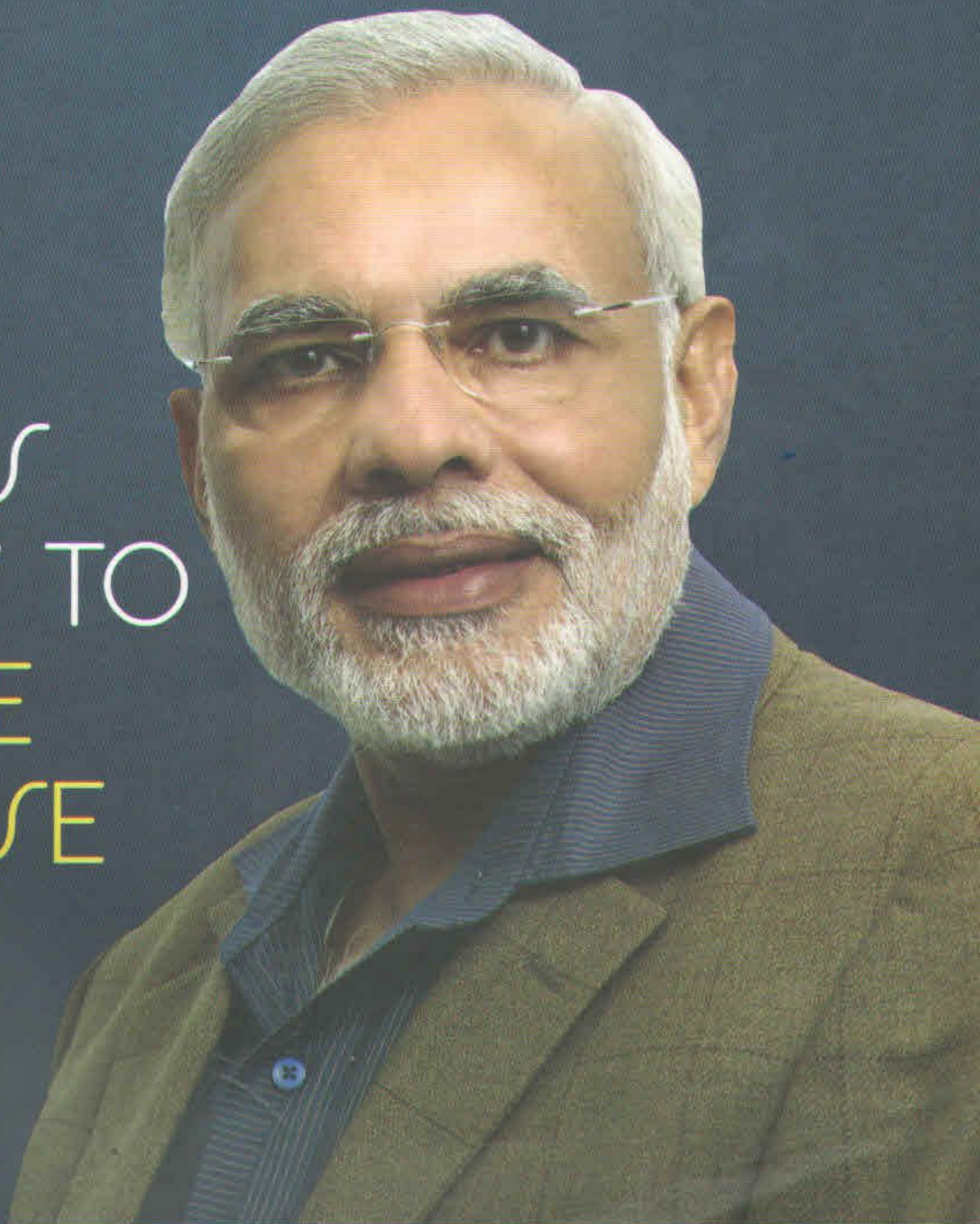


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MODI'S
'DRIVE' TO
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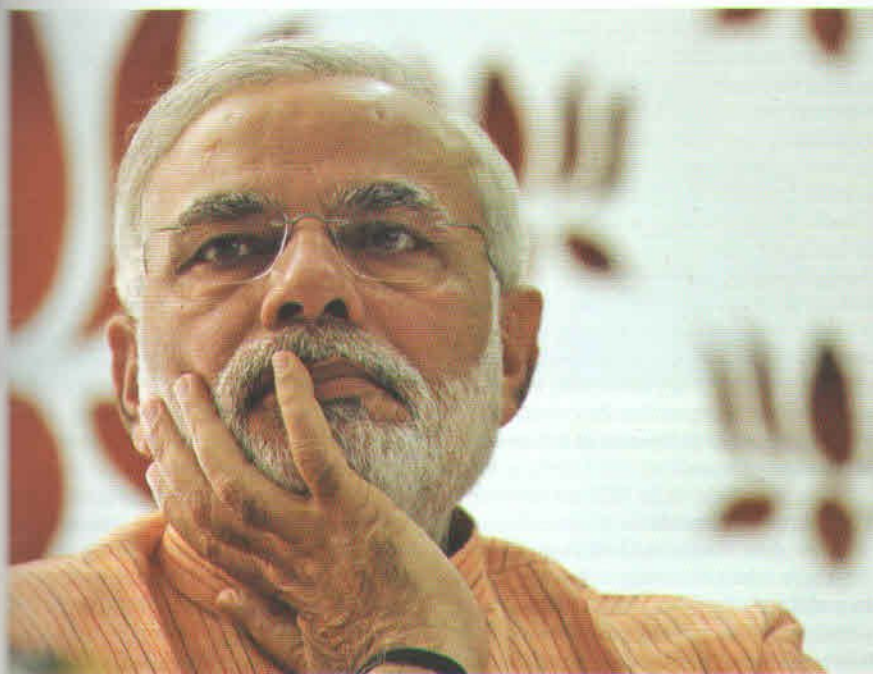


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BJP's Change of Guard

Impact on India's Economic Fortunes

Gopal Krishna Agrawal analyses the rise of Narendra Modi and its impact on business sentiments, trade and investments in India



Narendra Modi, chief minister of Gujarat, was appointed a member to the Parliamentary Board, the highest decision making body of Bharatiya Janata Party in March this year. Later in September, he was declared the Prime Ministerial candidate of the National Democratic Alliance (NDA). In 2001, he became Gujarat's CM and after re-election in 2002, 2007 and 2012, heads a corruption free, transparent and an efficient administration in the state. Though regularly

attacked for the 2002 Gujarat riots, Modi is also praised for outstanding administration in turning Gujarat into an economic powerhouse. He has been successful in bringing the development plank as an election agenda.

Will India Shine under NaMo?

Though Modi's appeal cuts across all classes, regions and age groups, it would not be an exaggeration to say that the Indian business community, youth and burgeoning

middle class are the biggest votaries of Narendra Modi. The fact that the Indian business community, generally obsequious and fawning before the government of the day, has risked the wrath of the present regime in doing so speaks volumes.

The economy is going through one of the most difficult times in recent memory. The UPA II government, instead of navigating the economy through the turbulence caused by global factors, has exacerbated it through clumsy policies, entitlement schemes without proper budgeting, and the worst kind of kleptocracy. There are both political and economic factors affecting business sentiment, trade and investments. Politically, we have a situation where there are different centres of power and responsibility, a cabinet in which ministers pull in different directions, and a government that lacks conviction in its own policies. The present macro-economic situation is rife with sticky inflation, rising fiscal as well as current account deficits, falling rupee, slow pace of reforms and an overall policy paralysis. These two sets of factors have dealt a crippling blow to business sentiment and trade and investments. We are in a situation where the finance minister of the country is trying to convince global capital to come to India at a time when even Indian capital is looking for markets abroad.

In order to crystal gaze the impact of the rise of Narendra Modi on business sentiments, trade and investments, it would be pertinent to analyse the philosophy underpinning the policies of the Gujarat government headed by him. While there is a small but vocal group backed by rival political parties and other vested interests that questions every figure that shows Gujarat in positive light, their efforts have failed to hide the state's inexorable rise under the leadership of Narendra Modi, a fact that is now also acknowledged by the international community. This also relegates to the background the claim that figures are being manipulated to present a positive picture.

Modi Mantra in Gujarat

So what are the defining characteristics of Narendra Modi's style of management that is relevant from the macro-economic point of view? He has focused on 'less government and more governance', which broadly means an unobtrusive but effective government. His e-governance model with decentralised decision-making and power is his major forte. He has also emphasised on a transparent, corruption free, consensus oriented good governance model with

Modi came from humble origins to win power in the western state of Gujarat and will now be projected onto the national stage. Some of the most powerful industrialists in India say he is an effective, honest administrator who has introduced policies that have boosted development and reduced poverty in his state

The Guardian

emphasis on inclusive participation, timely clearance of project proposals, focus on infrastructure improvement and revival of agricultural sector. The government follows the rule of law with efficiency and effectiveness and is accountable to the people. His decision-making is quick and timely and believes in single window clearance as was seen in the case of Tata's Nano project. Gujarat under Modi's leadership has excelled in infrastructure development and has created world-class linkages acting as a backbone in the present global competitive scenario. The successful functioning of the BRT public transport system in Ahmedabad is one such shining example. He has been instrumental in creating urban landscapes at par with international standards. Gujarat has successfully implemented power sector reforms and is supplying 24x7 power to 100 percent of villages.

Modi Means Business

The government under Modi would definitely improve business sentiment, leading to an increase in both trade and investment. Sustained growth rarely occurs on autopilot: it requires competent leadership at the top. The most fundamental change from the present government would be the absence of the dual power centres. The *de jure* centre of power would also be the *de facto* one. This would impart realism in policy formulations, which is greatly missing today. The 'Right of Centre' ideology subscribed to by the BJP and Modi does not see itself in an adversarial relationship vis-à-vis the business community, but as partners to realise the potential of the country. This in itself would be a major change that would affect business sentiment positively. The NDA under the leadership of BJP was focused on improving physical infrastructure, which would continue under Modi. We are trained to think that the best rate the agriculture sector in India can achieve is 4 percent, but this has been belied by the Gujarat experience, where the agricultural sector grew by around 10 percent for more than a decade. We should therefore expect a paradigm shift in the

way the agricultural sector would be dealt with under Modi. This focus on physical infrastructure and agriculture would remove supply bottlenecks and would bring down inflation. Better infrastructure would also make our exports more competitive and boost trade. A lower rate of inflation would allow the monetary authority to lower interest rates and thus revive investments. A focus on urban infrastructure for rural areas and rising rural income would also augment domestic demand, as more than 60 percent of our total population is living in rural areas. It was under the NDA government that the FRBM Act was enacted and fiscal responsibility targets were met. At the national level, the BJP is assimilating good governance models of its various state governments and intends to replicate them on a Pan India basis, whether it is the socially inclusive focus of Madhya Pradesh government or the Public Distribution System (PDS) of the Chhattisgarh government. Modi would also put the economy back on the path of fiscal consolidation. Considering his treatment of state owned enterprises in Gujarat, it would not be wrong to expect that they would be given operational freedom to achieve efficiency and scale.

First Among Equals

How does Narendra Modi fit in the whole scheme of things? It is an undeniable fact that Modi is first among equals among the present day BJP leadership. Modi has a very wide acceptance amongst young voters, and considering the present Indian demography, is most suited to capture the youth bulge. In the 2014 elections, around 120 million voters would be voting for the first time. It is under his leadership that the party has the most realistic chances of surpassing its previous tally of 182 seats; it has been the experience that voters consolidate towards the winner in sight. As far as his ability to bring coalition partners on board is concerned, we already see two parties jockeying to align with BJP in Haryana. These would improve with the elections drawing near. It has anyway been the experience that parties come

In person, Modi comes across as an effective administrator, a proud Indian nationalist, and a committed if not zealous Hindu. He also is a policy maven—introverted, precise, and even passionate about the most technical of subjects.

William Antholis,
Managing Director
Brookings Institution

together to form the government only after elections and very few parties enter into a pre-poll alliance. Future uncertainty harms business sentiment to a great extent but as we move towards overcoming this uncertainty, one sees gradual improvement in business sentiment.

People who grudgingly accept the development of Gujarat under Narendra Modi claim that this success cannot be replicated at the pan-Indian level as he would be hamstrung by coalition partners and powerful leaders within BJP, unlike Gujarat where he virtually has free rein. We believe that not only would he be able to repeat the success of Gujarat, but would also surpass it. It should be noted that considering the very limited powers of states in India, Narendra Modi's achievements are indeed commendable. He has infused new hope and confidence in the people of the country, particularly the youth that comprises 65 percent of the total population. He has been able to generate the can do spirit that is evident in the national and international business and political community. Under the stewardship of Narendra Modi, India would be able to achieve its true economic potential and become an economic superpower.

Narendra Modi can give India a new sense of direction

John McCarthy, Former Australian High Commissioner to India



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