

The Needle's Eye

Lower subsidies, tougher tax laws, higher utilities prices, the need for easier labour laws – all these need a star salesman to sweet-talk India into embracing economic reform even if it seems painful at first.

# Wanted: A Modi Road Show to Sell Reforms



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One of my prized possessions is a fossilised limpet, a kind of sea snail that attaches itself very, very tightly to rocks. The fossil must be hundreds of thousands of years old. It must have been prised off a rock with some force, the kind that is trying to get many of our privileged leaders out of their Lutyens bungalows in Delhi, or drag a number of governors kicking and screaming from their very comfortable Raj Bhavans. The Bharatiya Janata Party is working hard to convince us that it will not behave like its predecessor, but it is having a hard time. At every twist and turn it finds a precedent, even if that means behaving like rent collectors from the Bailiffs' Jaldi Party.

So a little bit of historical perspective is in order. The prime minister's advisers would have done well to use his visit to Bhutan last week to take a deep dive into programmes to harness the youth power that both countries need to use smartly. Bhutan had a good national-service programme in the 1980s; most of its better-off young people were forced to travel abroad, mainly to Indian schools and universities. They were required to put in six months of rural service when they returned home to build character and national pride. But that programme seems to have faded out and youth unemployment rates, although

minuscule by our standards, worry the Bhutanese government. Narendra Modi himself started a fellowship programme for young people in 2009 in Gujarat – applicants only had to be Indian in origin, language was no bar, and stipends and possible jobs were dangled as carrots. That plan too appears to have withered away – www.gujaratfellowship.org has not even been updated since 2011. So far, with the monsoons about 40% below normal and the third drought in the last decade staring us in the face, and the rise in railway fares alongside the second train accident since the BJP took power, there is not much of Gross National Happiness visible.

The new government is feeling its way around. Gujarat may have been a very good test-tube for Modi's experiments in running an efficient government, but the national laboratory is proving far more complex, even hazardous. Modi and a number of other strong chief ministers crafted a new and sustainable federalism where individual states zealously guard and promote their interests, and infrastructure and investment begin to flow in a virtuous cycle. Running a central government is different – everything you do affects every Indian at a macro level, and you have to win buy-in from multiple interest groups.

In contrast with Atal Behari Vajpayee's coalition government, Modi does not need to pussyfoot around tough reforms, and yet his push for faster development and a market-driven economy will be pulled at by his ideological moorings in the Rashtriya Swayamsevak Sangh, which will need to tone down its swadeshi agen-

da if it wants to see faster growth.

So far Modi has signalled that he wants India to be a place where doing business is easier and faster, where investors are not terrorised by retrograde taxation laws, and where policy decisions are quick and transparent. He has spoken of a high-speed train network, better roads, and a greater emphasis on sanitation and drinking water supply. Millions of new jobs can only be created if we build huge factories that manufacture in greater scale. The BJP government seems to want to boost foreign investment in our defence-equip-

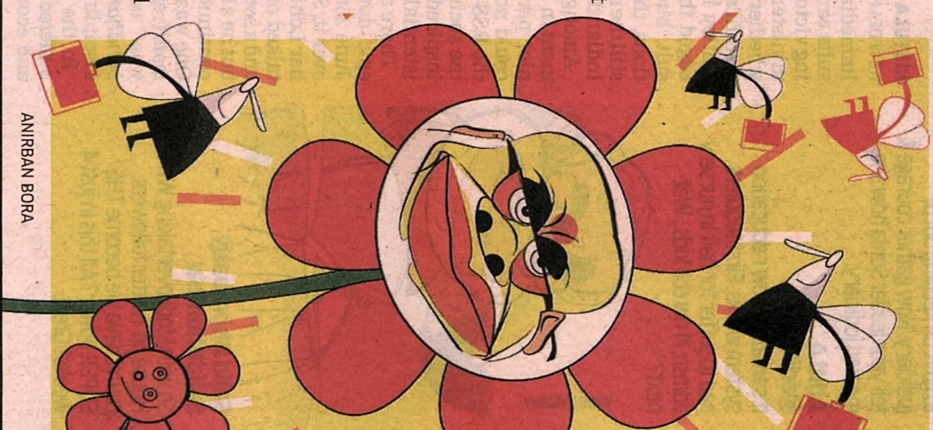
## BIG ROLE FOR FRIENDS

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ment sector; the Defence Research and Development Organisation even has ambitions of becoming a major arms exporter. But in military hardware, as in better roads and faster trains, the RSS will have to accept the fact that infrastructure requires huge investments, and a large chunk of that will be foreign money. India's private sector's muscles have atrophied after years of weak growth and unhelpful rules and regulations. Our manufacturing sector desperately needs help. Industrial production rose in

April in a good sign after the Index of Industrial Production shrank by 0.1 per cent in 2013/14. Many of our factories' woes can be traced to our chronic under-utilised electricity-generating capacity. We do not generate enough electricity because we do not extract enough coal thanks to mining scandals, ham-fisted environmentalists, and politics. India is the world's third-largest coal importer even though we sit on the planet's fifth-largest coal reserves. Manufacturing sector growth, a better supply chain, the ability of millions of small businesses to stay afloat – all depend on steady and abundant electricity. Installed electricity-generating capacity ostensibly doubled over the past decade. Yet, because of mining scandals and inefficient extraction, coal-fed thermal power plants generated only about 75,000 megawatts of electricity in May against an installed capacity of 170,000 MW – which means only 44 per cent of electricity that could have been generated. And thermal power constitutes nearly 79 per cent of the nation's total electricity-generating capacity of about 215,000 MW.

More could have been done in the weeks leading to the Budget on July 10. Modi the master orator could have a launched a nationwide road-show to push his message of faster, equitable growth. Lower subsidies, tougher tax laws, higher utilities prices, the need for easier labour laws – all these need a star salesman to sweet-talk India into embracing economic reform even if it seems painful at first. As Mary Poppins sang, "Just a spoonful of sugar helps the medicine go down."



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