

The Incredible Lightness of Being a Wannabe Superpower

The Needle's Eye



CHAITANYA KALBAG

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I should have titled this column "The Audacity of Hype". Reading some of the speeches made at and around the Group of 20 summit in Brisbane, it almost sounded like a lovefest around joint action and joint reaction with the exception of Vladimir Putin, who was clearly the black sheep because of Russia's incursions into Ukraine, and who left the summit early ostensibly because of a long flight home. Outside of that it was all as cuddly as the koala bears that the leaders posed with. In the Southern Hemisphere's summer sun, it seemed nothing could go wrong with the world.

It takes quite a flight of fancy to harken back to this supercontinent of Gondwanaland, between 510 and 180 million years ago, when much of Asia's land mass and Australia were theoretically fused together: "And today I have come to unite in spirit, as we were once by geography," Narendra Modi told the joint session of the Australian parliament. Indeed, during our intrepid premier's four-city tour, it seemed no other G20 leader was even present, so far as the Indian media coverage was concerned. The frequent applause, cheers and whistles from the 16,664 Indians who crowded Sydney's Allphones Arena on the 17th to listen to Modi's long, rambling speech lived up to the "Modi Thunder Down

Under" message on a banner unfurled in the Olympic stadium. Hundreds of Indian immigrants travelled down from Melbourne in a specially chartered 'Modi Express'.

All this bonhomie draws a fine veil over several important issues. Australia is keen to maintain defence-industry ties with India and sell New Delhi as much coal and iron ore as our economy can consume. Climate change was discussed both at the G20 summit and Modi's bilaterals with Australia's Tony Abbott and other leaders, but nobody asked the tough question: is India going to give way on carbon-emission commitments after last week's agreement between China and the United States? Two days before Modi made his now-familiar stump speech in Sydney, U.S. President Barack Obama also made a long speech at the University of Queensland. It was poorly reported in India but Obama strongly underlined America's determination to remain a 'Pacific power' and on climate change had this to say: "So [China] setting up [an emissions] target sends a powerful message to the world that all countries — whether you are a developed country, a developing country, or somewhere in between — you've got to be able to overcome old divides, look squarely at the science, and reach a strong global climate agree-

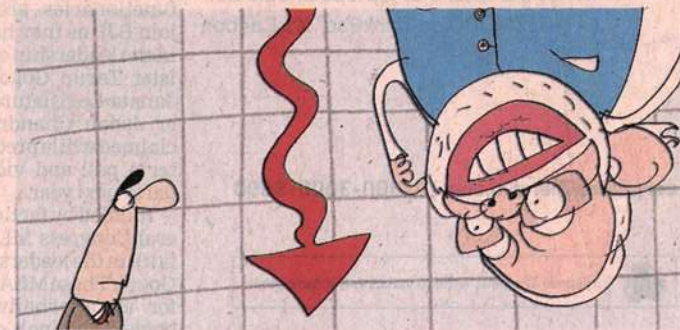
ment next year. And if China and the United States can agree on this, then the world can agree on this. We can get this done. And it is necessary for us to get it done."

Once Modi gets through this round of travel, he and his team need to focus far more on next year's defining climate-change talks in Paris. His government has already signalled that it will not be hemmed in by climate-change activism as it rushes to open up the coal mining sector; boost thermal-generated electricity; and pollute the air above us even further. This is one race Delhi looks sure to win over Beijing, and it is a race to a murky, soot-filled future.

Climate aside, with his ministerial team fully in place Modi also needs now to focus ferociously on the economy. It is increasingly apparent that

gross domestic product growth in the second quarter (July-September) will be lower at about 5.2 per cent after 5.7 per cent in April-June. Don't forget that much of that growth was no thanks to the Modi government, which took office on May 26. The poor monsoon, which we were all anxious to gloss over as adequate, will hit farm output. Despite a global slump in commodities prices, and a

Needed Change
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ANIRBAN BORA

continuing and welcome shrinkage in our oil import bill, India's trade deficit shot up to \$13.3 billion in October, fuelled by a humongous 280 per cent jump in gold imports and a five per cent drop in exports. India's prosperity will not be guaranteed or underpinned by our bottomless, ravenous appetite for gold, but by our manufactured-goods exports. At times it seems that all the rhetoric at global summits is not going to take away from the huge rock of old attitudes and complacencies that Modi or indeed any leader has to roll like Sisyphus up the hill.

Even if India gets its act together and boosts manufacturing output, who will buy its goods? There is not going to be much help from the rest of the world, notwithstanding Modi's energetic sales pitch wherever he touches down. In their final communique, the G20 leaders fretted about slow, uneven and jobless growth. The International Monetary Fund warned of an "uneven and brittle global recovery". What does that mean for an India hungry for investment and export opportunities? The U.S. and British economies seem back on a slow growth track, but the Eurozone is still very fragile; Japan has slid unexpectedly into recession again; and China's powerhouse growth seems set to slow to about 7.1 per cent next year from 7.4 per cent

this year.

Speaking with a number of experts last week I came away with a disturbing melange of facts. 'Make in India' is not going to work so long as factories in India are forced to pay as much as 1.5 times what their Chinese counterparts do for electricity, and continue to subsidise a stubborn and spoilt middle class. Our banks, and in particular the larger ones, are saddled with rising mountains of bad debt and a persistent wink-and-nudge nexus between some of our biggest defaulters and their creditors. One of the first reforms this government ought to be introducing is in India's bankruptcy laws, so that inefficient enterprises sucking up taxpayer money are firmly shut down and those that can recover are helped back on their feet. Private-equity investors have for a long time been very patient with longer payback horizons in India, but their patience is starting to wear thin. Let us be clear: the world's financiers are not looking at Narendra Modi through rose-tinted glasses. They see a super-sized meal ticket, and they want to cash out with huge multiples in a reasonable length of time. Will Modi's menu give them enough to chew on?

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