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LC Goyal

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Singh was reinstated.

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Whose Line is PM Narendra Modi Toeing?

The Needle's Eye



Chaitanya Kalbag

We now see Modi government retreating from one battleground after another...embracing one reform after another that was launched by its reviled predecessor

"The agenda focused on measures to correct the current account deficit, counter rupee depreciation and its impact on trade and industry, improve skill development and focus on developing industrial corridors," one newspaper said about the prime minister's brainstorming meeting. "The overall sentiment was to convert decisions to action and take back the

country to a growth path of 8% or more..."

Did you think this report was about PM Narendra Modi's meeting on Tuesday with business leaders and economists? Think again. It was about a meeting called by PM Manmohan Singh in July 2013.

Sometimes, when we read about great expectations from India's current government, it is easy to forget that much of the disillusionment with the previous Congress administration was caused by a slowing economy and the recklessness of social-sector spending that paid little heed to building on the foundation of a decade of good growth.

In the ten years from 2003, India's gross domestic product (GDP) grew by an average of 8% annually. There was a crushing slowdown in 2013. By then the Congress party was dysfunctional, incoherent, and consumed by its own hubris. There could not have been a better canvas for Narendra Modi to paint a glowing picture of better days ahead, of dynamism, accountability, and corruption-free governance if he was elected.

It is dispiriting, therefore, to watch a less-resplendent Modi casting about for a way out of the economic labyrinth in which he finds himself trapped. The stock markets have lost nearly all the gains they had made since he won power in May last year. The rupee is floundering in a 2013-type trough. At Tuesday's meeting, Modi heard polite advice and entreaties from one speaker after another. Make doing business easier. Cut interest rates, fast. Create more infra-

structure. Do more. Modi told the businessmen to take more risks, to invest more, faster. He called for the creation of more jobs, mainly in small and medium sized businesses. There was a fair bit of rationalising—India's relatively closed economy and blissfully low commodity prices would insulate it against global volatility, which everybody agreed was the new normal.

There was not much talk of Modi's Make in India mission. In order for India to really become a manufacturing giant and compete with China just as that country's economy is contracting, India will need to create huge numbers of new enterprises employing armies of young workers making millions of widgets.

The reality is that about 85 per cent of 'factories' in India employ less than 49 people each, compared with just 25 per cent in China, and that unorganised enterprises employ approximately 70 per cent of India's non-farm workforce, as one McKinsey study showed.

So there ought to have been a resounding battle cry from Modi and Finance Minister Arun Jaitley for an obsessive focus on greasing the wheels of industry to create more jobs, put more money in people's pockets, and make more goods to feed a hungry market. Right?

Wrong. We have the unedifying spectacle of the Narendra Modi government retreating from one battleground after another, fumbling with one misstep after another, and—horror of horrors—embracing one re-

form after another that was launched by its reviled predecessor.

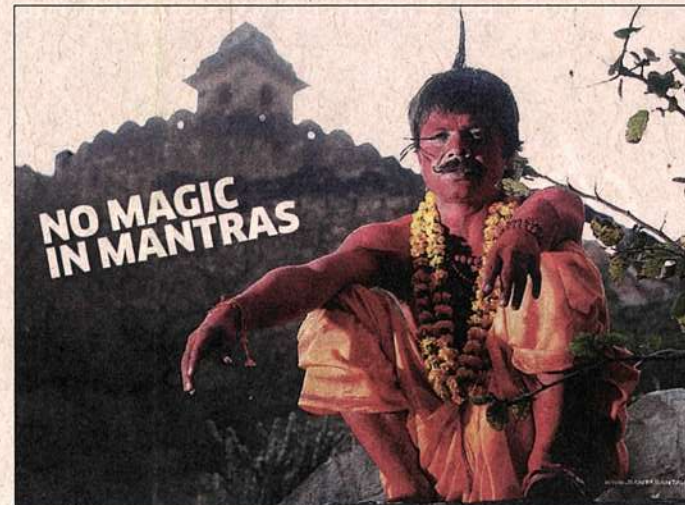
On August 30, in his Mann ki Baat radio talk, Modi quietly capitulated on his eight-month struggle to get amendments made to the Land Acquisition Act of 2013, appearing

LANDING IN TROUBLE



On Aug 30, PM quietly capitulated on his 8-month struggle to get amendments made to the Land Acquisition Act

to cave in to a ferocious campaign led by the Congress that coincided with rising farm distress. This Tuesday, Jaitley announced that during his meeting with business leaders, Modi had endorsed a suggestion that the Congress's pet rural jobs scheme, the Mahatma Gandhi National Rural Employment Generation Scheme, could be used "as a tool for skill-development promotion". This is really clutching at straws. As the McKinsey study noted, 70 per cent of India's working-age population has only primary education, or no schooling at all. We need an expansion of secondary education as a basis for skill enhancement and not be content with turning ditch-diggers into brick-layers.



Did Modi and his aides at least lay out a compelling road map to add some octane to the flagging economy, which grew only 7 per cent in the first quarter? Is there a farm-revival programme in the works? Perish the thought. Jaitley, looking unusually glum, would only say the government is working on the farm sector because "...good agriculture improves the purchasing power of a large number of people...."

The same day the Congress party was holding only the third meeting of its apex Working Committee since last year's shock defeat. Never mind that Sonia Gandhi postponed party elections for another year, clung on to her presidential post, and proclaimed yet again that her son Rahul would stay the heir apparent. Never mind that there was no sight of a revamped organisation that might rise again as a clear alternative.

The Congress resolution reiterated the party's "continued commitment" to implementing the Goods and Services Tax—and noted that its government had introduced the GST legislation in March 2011. Yet, the very next day Jaitley announced that the Modi government had given up plans to call a special session of parliament to pass the GST Bill because of a "lack of political consensus". The backtracking has serious repercussions for this crucial piece of legislation which Jaitley had vowed would take effect from April 1 next year and needs its network and infrastructure set up months in advance if it is to be successful.

Modi has also struggled with the

poisoned chalice of one-rank-one-pension for military personnel. Five years after an unprecedented protest by veterans who marched to the presidential palace to return their medals, the Congress-led government announced it would implement OROP in February 2014, just before it was thrown out of power, but with funding that was clearly insufficient. Modi promised to speedily bring in OROP during his campaign, but dragged his feet as the costs became clearer after he took office.

Last Saturday the government bowed to the spreading protests, hunger strikes and anger of both officers and enlisted men and announced an OROP formula that is going to add about Rs 25,000 crore (\$3.8 billion) to the military's salary bill—and this after Modi had to hastily assure soldiers who retired early they too would be entitled to higher pensions. Manpower costs will likely rise to more than half of India's defence budget of \$37.4 billion for this fiscal year.

A few days earlier Chinese President Xi Jinping announced a cut of 300,000 personnel from the 2.3 million strong People's Liberation Army. Instead of spending more money on streamlining its armed forces and upgrading equipment and technology, India is adding more bodies—Modi has been forced to continue with his predecessor's plan to raise a 90,000-strong mountain strike corps to man the border with China.

All this begs the question—is the Congress tail beginning to wag the BJP's dog?