

CHAITANYA KALBAG

EYES ON THE PRIZE

India's ex-prime minister says the nation needs a unified approach to fuel growth

The man who launched India's economic revolution 25 years ago, former Prime Minister Manmohan Singh, believes the country needs a stronger political consensus on reform to fuel double-digit growth and lasting prosperity.

India's economy expanded 7.6% in the fiscal year ended in March and is set to be the fastest-growing in the world this year, outpacing China's -- but Singh is not sanguine. "We need a growth rate of 8 to 10% to be sustained over a long period of time," he told the Nikkei Asian Review in a rare interview. "We must move forward, we must build a national consensus on reform. We have to make sure that multiparty democracy does not inhibit the growth factor, the reform process."

Singh, 83, noted that India's economy has grown by an average of 6.5% a year since economic reforms were launched in 1991. China, which began its own economic modernization in 1978, has far exceeded India in the speed of its expansion.

The roots of India's economic revolution go back to when P.V. Narasimha Rao, the Congress party prime minister in 1991, gave then-Finance Minister Singh crucial support in freeing what was a closed, Soviet-style economy. The two men overturned a protectionist industrial policy

and started dismantling a corrupt and inefficient licensing regime.

Singh's tenure as finance minister ended when his party lost an election in 1996. He returned to government as prime minister in 2004, running quarrelsome coalition governments for a decade. He is pleased that Prime Minister Narendra Modi's Bharatiya Janata Party administration, which replaced the Congress party two years ago, is now taking forward most of his initiatives.

For instance, Modi has set up a ministry of skill development, giving more muscle to Singh's National Skill Development Agency. "Employment and skilling our people is the major problem, and the youth of the country are desperate for jobs," Singh said. "About a million young people enter India's workforce every month. Better vocational training will create a vast blue-collar army and provide manpower for millions of small and medium enterprises."

Anxious to expand the half-finished social sector reforms of the 1990s, Singh as prime minister kicked off financial inclusion for India's vast under-banked rural population. Modi has continued that process, opening nearly 300 million bank accounts with zero balances for the rural poor and creating a conduit for the direct transfer of subsidy payments to beneficiaries.

Modi has promised cooking-gas connections for the poor. Singh ended a gasoline subsidy; Modi ended subsidies on diesel. Singh's government launched the world's biggest unique identity project, Aadhaar. Modi has extended it to more than a billion Indians and given the ambitious program constitutional permanence.

"The BJP had opposed the universalization of these processes. They opposed the Aadhaar scheme," Singh said. "Now they've picked it up."

Singh opened up India to foreign direct investment, but Modi has flung the doors wide open, declaring after the latest burst of liberalization on June 20 that India was the world's most investor-friendly country.

"There is a broad consensus in favor of



LEFT: Supporters of India's main opposition Congress party attend a protest against what they say is a rise in the prices of essential food items and fuel in Ahmedabad in June. RIGHT: India's former prime minister Manmohan Singh (blue turban) and main opposition Congress party president Sonia Gandhi cross a police barricade during what the party calls a "Save Democracy" march to parliament in New Delhi in May.



what we started doing in 1991," Singh said, sipping tea in his bungalow in New Delhi's tree-lined Lutyens enclave. "At that time, there was a lot of opposition both from the BJP as well as the left. But subsequent events have shown that when the time came, very few parties, very few governments wanted to reverse the direction."

Yet Singh is not entirely happy. "The reforms that we carried out in the 1990s were half-complete," he said. "There are millions of people who are still below the subsistence line. There was the social dimension of the reform, to ensure that social services like education and health were better looked after. It was always my intention to undertake that task once we had the opportunity."

Did he seize the opportunity when he was prime minister? "That was certainly one of my intentions, and that is why we [enacted] Right to Education, right to employment ... and the rural and urban health missions," Singh said. "But there were obstacles."

Those hurdles were political. The Goods and Services Tax that Singh's government tried to introduce in 2011 ran into BJP opposition. Now, Singh's Congress party is blocking strenuous efforts by current Finance Minister Arun Jaitley to put GST on the statute books. "The shoe is on the other foot," Singh says wryly.

Modi's strident attacks on his predecessor haven't helped. "We cannot ensure that all political parties and the government work on the same unified approach if the government of the day thinks that their main mission in public life is to get rid of the Congress party," Singh says. "I have mentioned this often to the prime minister and Mr. Jaitley -- that you have to approach the Congress leadership in a manner so that the process of consensus-building can go forward."

He believes India's agricultural sector needs to grow at least 4% a year to sustain its 1.25 billion population. Badly hit by two years of drought, agriculture grew only 1.2% in 2015-16.

"Ultimately, industrialization must take over the country," Singh said. "But [too rapid] migration of people from rural to urban areas can also be very destructive. I don't think urbanization in India has happened at a pace that is unmanageable. About 30% of our population lives in urban areas. In the next 20 years it will go up to about 50%. Therefore, it will require more resources. Poverty can rise if care is not taken."

What was the biggest regret of his prime ministership? He laments that the two final years of his government were marred by a sharp economic downturn and a torrent of corruption charges. "I also feel that the extent of the corruption was grossly exaggerated," he says, a trifle defensively.

His final words? "Development does not take place in a vacuum. There is no predetermined path for managing the complex economy or polity that India is." **N**

Chaitanya Kalbag is a former Reuters Asia editor and editor-in-chief of Hindustan Times.

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