

**'COMMENTARAO' IN "THE TELEGRAPH" OF January 21 2015****“Expanding horizons**

- The NDA's progress in eight months a **NDA ANY PROGRESS IN EIGHT MONTHS?"** by **S L Rao**

**Mr Narendra Modi's oratory, skill with appealing slogans and involving his audiences, also made people expect fast actions from his government. But his priority from the outset was India's foreign relations. Domestic reforms, he realized, would take time, because of the many needing convincing and BJP's minority in the Rajya Sabha.**

**National and regional parties are reinventing themselves, stunned by BJP's overwhelming victories. Strange alliances are appearing, as in Bihar between bitter foes Nitish Kumar and Lalu Prasad Yadav. With no common programme but defeating BJP. A later partner was Mulayam Singh. Of the three, Lalu was jailed and has pending corruption charges. Mulayam through his son has worsened law and order in Uttar Pradesh, failed to combat communal disturbances, ensure safety of women, or control the kleptomania of his party's politicians and his family. Nitish is an icon of integrity and good governance. His discarding the BJP disclosed how much he owed his effectiveness to his Deputy Chief Minister Sushil Mody of the BJP. The recent moves to reinvent the Janata Party as a Parivar is without ideology or natural leader. It brings very disparate and mostly failed**

**parties and people together. By preventing a split in votes it hopes to give the BJP a real fight.**

**Congress party's ideas domonate:-superficial actions to promote 'secularism', passive actions on communal violence, state ownership and control, giveaways as social welfare, government borrowings, and large deficits, a passive response to Pakistani border violations, blind eye on massive scams. This combination of parties presently controls the Rajya Sabha. The BJP has made little effort to get their support to pass legislation. The Opposition poses little threat to Mr Modi and BJP at the hustings.**

**NDA Ministers are mostly inexperienced in governance at any level. Some are RSS nominees; some have no qualification whatsoever. Modi (as I predicted months ago in this column) has given the RSS and its affiliates a long rope but will rein them in when they threaten the good governance agenda.**

**In its eight months the Modi government has singular achievements in foreign relations but much less in domestic economic reforms. Mr Modi seems to have had a definite foreign policy agenda. It was more economic in its objectives: to bring in substantial foreign direct investment and get international support on security issues. It was to be friendly but muscular. It extended friendship to China for economic purposes. However it would not turn the other cheek to Pakistani violations, It would not heed China's hostility to Japan and Viet Nam nor to India's friendly**

**relations with the Dalai Lama and the Tibet government in exile, etc. He was going to be actively “non-aligned” and retain historical support with an economically beleaguered Russia, while developing security relations with the USA. His personality has also enabled a warm relationships with the Prime Minister of Japan and the President of the USA.**

**He has weapons in his armoury. He could abandon our unilateral commitment recognizing Tibet as part of China, and no relations with Taiwan. Mr Modi’s China policy differentiates between security and economics.**

**Modi’s personality and his receptions in USA and Australia along with the steady Indian economy when others are declining, attract governments and will attract investors. Luck has favoured Mr Modi. Crude oil has fallen to \$45 and might stay there for two years. This has dampened inflation and improved balance of payments.**

**The global economy (Europe, Russia, Middle East, Japan) is in varying stages of decline. India is an exception. The increased focus on Asia and the USA is timely. Indian capital markets are skewed towards bank borrowings. They need long term investments and foreign investment can fill the gap.**

**Resolution of long pending differences with SAARC neighbours is imminent: examples, building hydropower projects in Nepal and buying the power. Bhutan benefited from such arrangement. Mamata Banerjee has given**

**approval after earlier sabotaging an agreement with Bangladesh on exchange of enclaves, Bramhaputra as a waterway to the Northeast, etc. The NDA, not indebted to a Tamil party, will improve relations with Sri Lanka under President Srisena. Modi's proactive actions-Bhutan was his first overseas visit, rushed drinking water to Maldives when their water stopped, are signals.**

**The NDA has undertaken few economic reforms. Stock markets and industry welcomed Modi; foreign investment (more FII than FDI but both at much higher levels than before), has risen rapidly;inflation has dropped;food prices have fallen because of release of some government stocks of grains, improved production and moderate increases in minimum support prices; deficit in the balance of payments has improved; and the RBI has stabilized the Rupee. The purchase managers index (PMI) suggests an upswing in manufacturing. Nationalized banks are being disciplined by RBI and government to apply commercial terms strictly to loans and their restructuring. There is talk of reviving development finance so that banks are not stuck with long term loans.**

**Ease of doing business has been a bottleneck on expansion of manufacturing and on foreign investment. The Ordinance on land purchase and acquisition is a start on making land transactions for manufacturing, less troublesome. Delayed sanctions will reduce with the tacit acceptance that development does require some sacrifice of**

**environment. Speedier environment clearances, less restrictions, Other clearances are to be on-line, with time limits.. The raising of limits on foreign investment in defense and insurance, and FDI in railways, signal good first steps. The promises of investment funds for infrastructure from Japan and China will ease pressure on banks and improve funding. Banks are to be substantially recapitalized over three years. While privatization of state owned enterprises is not in the present agenda, loss making ones are to be privatized, and considerable disinvestment of government shares has been announced.**

**To improve overall efficiencies, government has promised that managements of state enterprises and banks will be freed from excessive government interference. Fresh coal mine auctions and a market for coal, more spectrum available for telecom use, massive investments in railways and roads, will stimulate the economy. The Planning Commission was stumbling without a role and its replacement by a body that will engage the states in planning will promote federalism.**

**Cash benefits transfer of subsidies and social welfare benefits is a reality with the Prime Minister breaking the lethargy in opening bank branches. Crores of new bank accounts were opened in a few weeks. The first cash benefit transfer has happened, with LPG. Social benefits will now reach the correct beneficiaries, reduce theft and waste in government expenditures.**

**On economic reforms the big items remain. unaccounted moneys held by Indians abroad and in India. The promise was to bring back black moneys should instead have been to plug loopholes that enable their creation. There has been no mention of this. The goods and services tax is an unsatisfactory compromise with the states. It needs more negotiation, while improving central VAT. Direct tax code, giving up retrospective taxes, using technology effectively to collect all taxes, privatizing state enterprises (to improve economic efficiency), more areas and control for foreign investment. Are some needed actions.**

**There is little on major reforms needed in education, skills development and health services. Numbers have to zoom, and quality.**

**This government is more muscular in dealing with Maoist violence. Intelligence gathering and coordination need considerable improvement.**

**The Kashmir elections show serious communal polarization between Jammu and the Kashmir valley. A marked tilt to Hindutva policies nationally by a BJP government is inevitable but must be delayed till we stabilize J&K. Government must draw a line between restoring Hindu pride and scaring minority groups.**

**Foreign and external security policies are now coherent. Domestic economic policies signal some better direction. They must be comprehensive, and speeded up.**

**(1296)**