It is less than a year now from the September afternoon, when tens of thousands of people cheered Prime Minister Narendra Modi in New York’s Madison Garden, but it seems so long ago. On June this year, Union Finance Minister Arun Jaitley, accompanied by top Indian businessmen visited the New York Stock Exchange and rang the closing bell. That symbolic act shining the light on India at the stock exchange and his many meetings with the US businessmen, however, failed to revive the business enthusiasm that was unleashed by Modi’s stunning victory and the promise of a new era of reform. Since then scandals, high-level corruption and dysfunctional parliamentary politics have raised doubts about Modi’s ability to deliver economic transformation. It has also created a space for the revival of old concerns about his secularism and commitment to democratic rights. As Modi prepares for a repeat Madison Garden-type meeting with the Indian community in Silicon Valley, his academic critics in the US have issued warnings about dealing with him.

The main doubts dogging Modi stem from his dismal record in achieving the reforms that he so boldly presented in the US. Although Modi regaled businesses by denouncing the previous UPA government’s “tax terrorism” — imposing unreasonable taxes on foreign investors, the government’s Minimum Alternative Tax — a 20 per cent levy on investors’ years-old capital gains — poisoned business’s enthusiasm for India. Calling it a “shakedown”, a Wall Street Journal editorial charged India of “acting more like a rapacious banana republic”. Stung by the criticism the Modi government announced that it would refer a controversial new tax to a panel run by a senior judge for recommendations, but the bitterness lingers.

Asked what could restore business confidence in India, Teresita C. Schaffer, a senior fellow at the Brookings Institution, and former ambassador, says: “My top pick would be transparency and predictability in the Indian business environment. No sudden lurches in the way tax policy is interpreted — like Vodafone.” She notes that consistency of policy would require the help and cooperation of the Indian Administrative Service (IAS). “Modi, she says, isn’t a solo star, he is running the government of India, so mobilising the IAS is part of his job.”

Sadanand Dhume, a resident fellow at American Enterprise Institute, which hosted Finance Minister Arun Jaitley during his recent US visit, says: “Modi needs to reassure investors that he will be as business-friendly prime minister as he was as chief minister of Gujarat. He could start by repealing the hated retroactive tax and privatising a clutch of loss-making state-owned companies to signal resolve. Navigating the long-awaited goods and services tax (GST) through Parliament would

LOGJAM DENTS IMAGE

COVER STORY | COLUMN NAYAN CHANDA
Eminent Columbia University economist and author of *Why Growth Matters*, Jagdish Bhagwati, however, rejects the charge of Modi going too slow: “The fact is that no democratic country can turn a ship around fast without risking that it capsizes. “He says that like the Republicans in the US, who have sought to sabotage Obama’s reforms, the Indian Congress-led parties have “tried to undermine the Modi-led reforms”. He believes that like “Obama has turned to executive action; in the Modi case, the executive has turned to Ordinances. This will work, in time”. Underlining India’s economic prospects he points that “in the latest crisis, the BRIC countries like China, Brazil and Russia have fallen off their horses, while India looks like a surviving rider”.

Indiana University professor Sumit Ganguly, however, places the blame on the BJP’s parliamentary failure. “Unless Modi demonstrates greater verve on pushing through the GST and land acquisition Bills, the business community will lose whatever little faith they still repose in him. His party simply could not demonstrate the requisite floor management skills in Parliament during the last session despite their clear-cut majority in the Lok Sabha.” Ganguly acknowledges that Modi faces real opposition in the Rajya Sabha, but feels that “a bit of clever horse-trading could overcome such opposition”.

He suspects that Modi may have thought he could steamroll Parliament “just as he had strode over the Gujarat legislature like a behemoth”. He says though that its a “pity that his BJP colleagues had failed to alert him to the intricacies of governing in New Delhi!”

Ashley Tellis, senior associate of the Carnegie Endowment for International Peace, says: “The most important thing Modi can do to raise confidence is to publicly champion economic reform as the best pro-poor strategy and move quickly to attack the three roadblocks that still stymie his ambitions: Amend the Prevention of Corruption Act, stop the continuing tax terrorism, and implement the ease of doing business in India initiative.”

As Modi prepares for a repeat Madison Garden–type meeting with the Indian community in Silicon Valley, his academic critics in the US have issued warnings about dealing with him.

In a recent report, Stratfor, an American strategic consulting firm, noted the thicket of obstacles, political and regulatory — that plague business in India — “what Modi campaigned against and what most frustrates potential investors in Indian manufacturing”. But like most US businesses, Stratfor reflects a cautious optimism that India will eventually overcome the hurdles. “The process of reforming the country’s business environment will ultimately move forward, though success will come more slowly and with greater difficulty than Modi’s slogans and promises imply, likely extending beyond the end of the government’s term in 2018.”

Shyam Sunder, professor at Yale School of Management, though has a bigger concern. He worries that Indian politics has become too divisive and its pursuit of rights-without-responsibility to achieve reform is the problem. “Perhaps the prime minister can convene a handful of leaders willing to work for welfare of the country over dinner each month to develop a broad consensus on key policies,” he says. “Absent goodwill and commitment to country’s welfare among at least its top leaders, I see little hope for the future.”

There are also liberal intellectuals, who harbour even deeper concerns about Modi. Over one hundred US-based academics, including leading scholar of ancient India Sheldon Pollock, and anthropologist Arjun Appadurai published an open letter urging information firms to be cautious about dealing with a government that has “on several occasions already, demonstrated its disregard for human rights and civil liberties, as well as the autonomy of educational and cultural institutions”.

Modi might still work his magic in Silicon Valley, but his task remains in India, where he will have to find ways to work with the Opposition and mobilise the bureaucracy to deliver what he promised a year ago.

The author is editor-in-chief of YaleGlobal Online, published by the MacMillan Center, Yale University; boundtogether.bw@gmail.com. For other columns by Nayan Chanda, visit www.businessworld.in