

## India-Japan Newsletter

### India votes for change

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#### Motivator becomes a Leader

The victory of the Bharatiya Janata Party (BJP) in the recently concluded general elections in India is a clear signal for change. The BJP went to the polls with the slogans - 'Ek Bharat, Shreshtha Bharat - Sabka Saath Sabka Vikas' (One India, Best India - Unity and Development for everyone). The people of the country voted out the United Progressive Alliance (UPA) government led by the Congress Party to voice their deep resentment against its handling of the economy. The last five years were marred by slow growth of the economy, coupled with high inflation, rising corruption cases and policy paralysis. Having won a clear majority in Parliament, the new government will have more elbow room to focus on the economy and will not have to worry about managing the egos of its alliance partners. That means that with Narendra Modi as the Prime Minister, there will be a judicious allocation of portfolios to ministers based on their experience and capabilities.

In the past, India has often been impeded by policy paralysis caused by unstable coalition governments that came to power. It is the first time since 1984 that a single party has won a majority in Parliament.

In this election, there were a number of factors that led Narendra Modi to an score an impressive win over his rivals. These include his 12-year-term as chief minister of Gujarat where he has been praised for his economic policies. He is credited with creating a business-friendly environment that catapulted Gujarat into a high growth trajectory. Gujarat is an attractive investment destination for many domestic and foreign businesses.

Despite so much development in the state, critics have pointed to Gujarat's relatively poor record on human development, poverty alleviation, nutrition, and education. However, in contrast, officials from Gujarat claim that the state outperformed India as a

whole on several human development indicators, such as female education. On the other side, Modi's contribution to make a 'Vibrant Gujarat' cannot be ignored. It was one of the main factors why the BJP projected him as leader in the election.

#### BJP's manifesto: Challenges and opportunities

The last few years under the UPA regime in India witnessed corruption, policy paralysis, economic slowdown, and job losses. Therefore, for the new government challenges are aplenty. It has to not only improve industrial growth but also bring down prices, increase foreign investment, create jobs and kick-start the reform process. For some businesses, currency volatility may be the most pressing issue, while for others it is high interest rates. Nonetheless, each of these apparently disparate issues is linked to one of the many factors like inflation, high fiscal deficit and lack of infrastructure etc.

The BJP's manifesto clearly indicated the party's willingness to bring about an era of change. Following are some of promises made in the manifesto:

1. Controlling price rise by breaking the vicious cycle of high inflation and high interest rates, special courts to stop hoarding, Price Stabilization Fund, single National Agriculture Market etc;
2. Removing corruption through e-governance, rationalisation and simplification of tax regime, task force to recommend amendments to existing laws or enact new laws;
3. Improving employment and promoting entrepreneurship by developing labor intensive manufacturing and tourism sectors, upgradation of infrastructure and housing, converting employment exchanges into career centers and promoting entrepreneurship in both rural and urban areas;
4. Improving decision-making process and

- removing policy paralysis; and
5. Focusing to immediately restore the trust of the Union Government to address the issue of credibility crisis in India, by building a chain of accountability in the system

### **What India expects**

The new government must motivate the private sector to grow. It should bring down its stake in public sector units (PSUs) to 51%. At present, divestment is only focused on curbing fiscal deficit of the country and yet decision-making is slow. Motivating the private sector will help regain the confidence of businesses and investors. It will also help tap the potential of the manufacturing sector.

Some of the important steps should include setting up more manufacturing zones across the country in line with the National Manufacturing Policy. Further, work on the landmark projects like the Delhi Mumbai Industrial Corridor and the Bangalore Mumbai Economic Corridor should be expedited. It would instill confidence among foreign investors wanting to invest in India.

Entrepreneurs are expecting the new government to promote entrepreneurship and take hard decisions to improve the economy.

Amongst these issues, there are certain others which need attention as well. Critical legislations relating to Direct Tax Code (DTC) and Goods and Service Tax (GST) are also pending approval. Other focus areas should include tourism, higher education and healthcare.

In the last few weeks,, India's stock markets have indicated that investors welcome the Modi-led BJP government with open arms. The benchmark Sensex opened at a life-time high breaching 25,000 points soon after the election results came out on May 16. With the new government in place, India seems all set for an era of change.

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