

# U.S.-India Insight

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## An Uneventful 100 Days



Ahead of India’s national election, and with an expected major victory for the incumbent Bharatiya Janata Party (BJP) government, there was rising excitement about a “100-day plan” to revitalize the economy. The BJP’s lackluster performance may have dimmed reform prospects. September 17 marks 100 days since the government was inducted, and even in reform areas without significant political opposition, little has happened to excite the business community. The world is watching as global economic prospects rely heavily on a vibrant, growing India. Global supply chains are shifting. Jobs, growth, and improved trade balances will accrue to the most attractive investment destinations.

The pre-election expectations for the Modi government’s performance were astronomical. Polling indicated that the BJP might win close to 400 of the 543 seats in the lower house of Parliament, or Lok Sabha. Assured of an “easy victory,” the Modi government asked departments to prepare “100-day plans” outlining the key reforms they would undertake with a fresh, massive mandate.

This is not novel; a [similar exercise](#) was reportedly done around the 2019 election, though with limited actual action. Of the [30 big reforms](#) we tracked in 2019-2024, only one was completed during the period of the “100-day plan” — a reduction in corporate tax rates. Apart from big domestic reforms, not a single foreign direct investment (FDI) cap was relaxed during this period. The initial months after the 2014 election were much stronger, with key [reforms](#) in railways, coal mining, hydrocarbon pricing, and relaxing onerous provisions related to FDI in construction.

Ultimately the BJP dramatically under-performed in the recent election, winning only 240 seats and being forced into a coalition with regional partners. While this result was unexpected, coalitions have been the norm in India for most of the past three decades. And coalitions do not necessarily put a low ceiling on reform aspirations. The 1991 year of dream reforms was carried out by an Indian National Congress -led coalition with a very similar number of seats (244) to the BJP, albeit during a real financial crisis. Other major reforms such as privatizing insurance and telecommunications or lifting foreign investment restrictions in sensitive sectors like retail trade, were done under weaker coalition governments. So, a coalition does not necessarily trigger a pause in big moves.

### KEY DATA

-4%

U.S.-INDIA GOODS TRADE, 12-MONTH

+23%

FOREIGN DIRECT INVESTMENT, 12-MONTH

\$23 bn

FII ASSETS NET FLOWS, 12-MONTH

Still, there is little question that coalition governments have different challenges than single party majority governments. A 100-day plan that was drafted without much regard to what current coalition partners want to see would require some modifications to accommodate partners' interests. Some reforms, particularly legislative reforms, would get more difficult since the Modi government cannot automatically count on majority votes in the Lok Sabha. As I have noted in other [writings](#), the Modi government's work on "[cooperative/ competitive federalism](#)" may face headwinds as two parties that run large states—Bihar and Andhra Pradesh— now have expanded voices and may not want to be portrayed negatively in various rankings of state government policies and practices.

However, there are plenty of important reform areas where coalition politics should have little impact. This is particularly true in reform areas where the challenge to initiate a reform is more about upending bureaucratic inertia, as opposed to focusing on reforms that challenge powerful vested interests.

Some areas where important reforms should be unaffected by coalition dynamics include:

- **Judicial Reforms:** There is little dispute over the need to improve judicial processes—both for citizens and for businesses. Some helpful work is being undertaken to [digitize processes](#) and find other means to expedite cases and reduce India's legal backlog, or find alternative methods to resolve disputes.
- **Tariffs:** "Make in India" gets easier when materials, input goods, and capital equipment are less expensive. In some areas, existing manufacturers would make tariff reductions difficult, but in areas where there is no domestic competition, tariff reductions should be more straightforward. Finance Minister Sitharaman hinted at a coming revision in her July 23, 2024 [Budget Speech](#).
- **Foreign Direct Investment Regulations:** Twenty years ago, making changes to FDI regulations would typically trigger protests and political chaos. But as we saw in the Modi government's first term—pushing nearly forty helpful FDI changes in its first term triggered almost no visible blowback. The same is true for some FDI relaxations in sensitive sectors during Modi's second term, such as insurance, defense, and telecommunications.
- **Improving Quality of Data:** Today the public still does not have real clarity on where India's FDI comes from, or which states are best in attracting FDI. When building strategies to increase FDI, such baseline information is crucial. Government [data indicates](#) Mauritius and Singapore, with a combined population of around 8 million people, account for half of India's FDI over the last 24 years. We know that preferential tax treaties are the driver for this inaccurate data.

The first 100 days of the third term of the Modi government have been underwhelming. But there is also a different governance dynamic than most analysts expected. Some modulation of reform priorities would be understandable. Hopefully the next 100 days will be more electrifying. There is much to do, and even with a coalition, a great deal should be possible.