



It's time India opened up to the world

'As Modi approaches his last solo official visit to Barack Obama's Washington, the two leaders will address a familiar list of trade problems that have seemed 'too hard to tackle' for years. We would argue that this is actually the time to start tackling them,' say **TERESITA** and **HOWARD SCHAFFER**.



Prime Minister Narendra Modi seems to like what Apple CEO Tim Cook, left, has shown him on the iPhone at their meeting in New Delhi, May 21.

Two years ago, Narendra Modi's swearing-in celebration presented the new prime minister to India and to the world like a superman. He had the first absolute majority in the Lok Sabha in several decades; his promise of transforming the economy generated palpable excitement in India and among its foreign friends; the scale of the celebration and the presence of leaders from India's neighbors — very much including Pakistan — was unprecedented, and reinforced the sense that this was the start of something big.

Two years later, the results are mixed. Modi has put his stamp on foreign policy in a big way. He has established personal relationships with the leaders in practically all the world's most powerful countries. His ties with President Obama may come as the greatest surprise, given the US revocation of his visa during the years preceding Modi's arrival at the prime ministership.

He had established a new model for at least some of India's relations with its smaller neighbors, with Bangladesh and Sri Lanka responding well to his effort to draw them in by using the magnetic power of the dynamic Indian economy.

Most interestingly, for a prime minister who comes from a party which had been identified with a nationalist ideology that regarded military force as the currency of power, Modi has embraced the notion that India's foreign policy needs to be powered by a successful economy. Economic policy, in other words, was to be the engine of foreign policy.

Surprisingly, the results in economic policy are more modest. A number of potentially exciting projects have been launched — Make in India, Swachh Bharat, 100 Smart Cities — but it is too early to tell whether they will pan out. India's place on the World Bank's Ease of Doing Business index has improved, but not yet dramatically.

Many of the classic complaints about the Indian economy are still valid. Modi's government has opted not to move away from retroactive taxation; implementation is still the weakest point in India's economic performance; Modi's government has dealt with the international economy with a caution that is familiar from earlier decades.

Significantly, Modi's thumping majority in the Lok Sabha

has not reliably protected his government's initiatives. Some big ones that actually have multi-party support have been blocked in the upper house, where Opposition parties do not want to give Modi's government credit for accomplishments like the Goods and Services Tax.

More fundamentally, Modi himself is skeptical about market opening measures, an attitude reinforced by the views of his own political base, which importantly includes urban small traders in much of north India.

Modi is a political leader of great talent; it is unreasonable to expect him to ignore political red flags coming from his part of the political spectrum. And yet — India's leaders in 1991 took a big bet on integration with the global economy. It paid off handsomely in increased growth and reduced poverty.

Two-and-a-half decades later, the conditions are ripe once again for India to make a second bet on the country's ability to thrive in the global marketplace. Energy prices are low, which reduces the burden on India's imports. India's services sector is a global leader. At least one of India's modern industrial sectors has shown itself able to grow and thrive globally: In the auto and auto parts industries, India's production for the domestic and export markets is intensely interdependent, and has sowed seeds of larger economic growth.

India's business community, like its counterparts all over the world, is understandably nervous about letting in foreign competition, and ideas like the Trans Pacific Partnership (which at this stage does not include India) are deeply intimidating.

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Rather than make India a 'walled garden,' let it renew its bet on India's ability to grow in a global context.

India can benefit hugely by opening its trade and inserting itself into global production chains. It has the talent to succeed in this endeavor, and Modi has the skill to mobilize his own political system in support of such a bold venture.

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