

Modi's imprint?

More than any corporate lobby or pressure group, the influence of Prime Minister Narendra Modi is the strongest

The income-tax relief on long-term investments came after banks asked for it. The move for higher tax on cigarette and tobacco products was initiated by Harsh Vardhan, the health minister. Though Arun Jaitley, the finance minister, held the customary pre-budget consultations with industry associations, economists, agriculturists and others, a finance ministry officer says there wasn't much traditional lobbying this time. "It is the silent common man whose voice has been heard," says he. This could be theatrical, given that the Federation of Indian Chambers of Commerce & Industry, or Ficci, says no fewer than 25 of its suggestions were incorporated by Jaitley in the Budget.

Days before the Budget, Jaitley had told an acquaintance that all that the industry associations discussed with him was the 2012 retrospective tax amendment. Jaitley did provide some relief in the Budget on Thursday: all such cases will now be scrutinised by a high-level committee of the Central Board of Direct Taxes. That apart, businessmen complained bitterly to Jaitley that they had become victims of tax terrorism in the last few years. As a result, tax claims of over Rs 4 lakh crore are under litigation. Taking note of this, Jaitley extended the benefit of advance ruling to Indian corporations and changed transfer pricing regulations.

In spite of these successes, most industry associations weren't sure of the mood in North Block till a day before the Budget. They didn't know whose opinion mattered in the corridors of power. Jaitley did not have an advisor, nor had he sought out consultants. This was the first time that the Economic Survey had been prepared by the finance ministry without a chief economic advisor on the staff. "It is not even clear who the seniormost economist in the (Narendra) Modi administration is, or who Modi will trust to provide economic advice," *Business Standard* had commented earlier in the month. The prime minister, it added, "has many blue-sky ideas, such as his 'diamond quadrilateral' of high-speed rail. But the imaginative thinking that may be required of any government cannot be left only to one overworked man".

A tax consultant who met top finance ministry bureaucrats, but not Jaitley, in the run up to the Budget says: "North Block has outsourced it all to South Block (where Modi has his office)." Indeed, Modi's hand was unmistakable in Jaitley's two-hour-long Budget speech; it contained buzzwords Modi never tires of using: neo middle class, rurban (between rural and urban), minimum government and maximum governance, and one hundred smart cities. (*See Jaitley or Modi?*) And what was Modi thinking? "The Budget touched people from all sections: students, farmers, salary earners and women. This is Modi's budget; the lobby groups were only heard," says Jindal Steel & Power CEO Ravi Uppal.

Modi, those who have known him well say, is private and inscrutable. He may not have appointed advisors but is being guided by economists Arvind Panagariya and Bibek Debroy, they add. Then there is the India Foundation, a think tank where Bharatiya Janata Party, or BJP, MP Jayant Sinha and former Rashtriya Swayamsevak Sangh, or RSS, spokesperson Ram Madhav are

directors, which is known to advise Modi on economic and strategic issues. It interacted with foreign investors and conveyed their expectations on tax laws and other issues to North Block. It also convinced them that the Budget would be one step in a long and continuous process of reforms.

In Modi's scheme of things, foreign investment is essential to get India going. After taking over as the prime minister, he has had exclusive meetings with only two Indian business leaders - Cyrus Mistry (Tata Sons) and Shyam Bhartia (Jubilant Organosys) - but has made time for three from abroad (Uniqlo Chairman Tadashi Yanai, Ford President & CEO Mark Fields and Facebook COO Sheryl Sandberg). He has also met a handful of world leaders (French Foreign Minister Laurent Fabius, Senator John McCain of the United States and British Foreign Secretary William Hague), most of whom have pushed business deals.

Industry associations say Modi has promised them time after the Budget. They have anyway been busy building bridges with him. The first thing Sidharth Birla, the chairman of Xpro India, did after he became the president of Ficci in December was to hold a meeting of the national executive committee in Gandhinagar, which was addressed by Modi, then the chief minister of Gujarat. Two days before the Budget, Birla had sounded cautiously optimistic. "In terms of rupee, *anna* and *pai*, our expectations are severely moderate," he had said. Instead, he had talked of improving the business climate in order to stimulate investments. "There is a difference between inviting and welcoming capital. We need to become a capital-welcoming state."

The Confederation of Indian Industry, or CII, has had serious trouble with Modi in the past. In February and March 2002, communal riots had broken out in Gujarat; there were allegations that Modi had done little to stop them. At a CII event in April that year, Anu Aga (of Thermax) gave an impassioned speech and received a standing ovation from the audience. In February 2003, CII held a session at New Delhi for its members to interact with Modi. On the stage with Modi were Rahul Bajaj, Jamshyd Godrej and Tarun Das (then director-general of CII). The businessmen were unrelenting on the riots and Modi was incensed. Finally, Jaitley, who was then the law minister, brokered peace between the two. CII apologised. Senior CII functionaries say the hatchet is truly buried; that rancor doesn't rattle anybody today.

Till Modi speaks up, most are trying to figure out what's going on in his head. Some say he is looking for a hub-and-spoke model of economic reform, which involves working in tandem with states ruled by BJP, especially around issues that fall in the Concurrent List (on which both the centre and the state can legislate). They cite as an example the work on labour reforms initiated almost simultaneously by Modi and Jaitley in New Delhi and Vasundhara Raje, the chief minister of Rajasthan, in Jaipur. "Land acquisition could be next," says a lobbyist. "Modi could be waiting for BJP to come to power in other states like Maharashtra and Haryana so that reform

can get as big a footprint as possible." Still others say the primary concern for the government is to keep the stock market buoyant so that it can raise large sums of money through disinvestment. "It is a great time to divest," Jaitley said in his post-Budget interview on Doordarshan.

Modi, according to sources, does not want to be seen as favouring any one business group. One issue that could roil the party is the charge of cronyism, which was hurled at him by the Aam Admi Party as well as the Congress during the recent election campaign. So, any decision that could go in favour of one business house or a small coterie will have to wait. "We are close to nobody," a businessman was recently told bluntly by a finance ministry bureaucrat after he had reminisced about his closeness with Jaitley. Sources say that's the reason why Modi and Jaitley refrained from scrapping the retrospective tax amendment altogether in the budget - it would have been seen as a favour to one company, Vodafone. Modi, it is learnt, wasn't happy after reports broke out that Nitin Gadkari, as the minister of surface transport, was batting for electronic tricycles even as his brother-in-law was one of the manufacturers. No surprises, most businessmen say there is no evidence of lobby pressure in the budget.

That apart, businessmen say the channels of communication within the council of ministers work smoothly and their voice reaches Jaitley and Modi quickly. Two days after the government was sworn in on May 26, Vikram Kirloskar, the vice-chairman of Toyota Kirloskar Motor and president of the Society of Indian Automobile Manufacturers, or SIAM, wrote to Jaitley about the need to extend the excise concessions offered to the automobile sector in the interim budget in February. The sector, he argued, was not yet out of the woods and investment running into thousands of crores of rupees was in jeopardy. He met Anant Geete, the minister for heavy industry, who called him for a second discussion. And when Kirloskar met Nirmala Sitharaman, the commerce & industry minister, she came with her top team. "Everybody (in this government) listens patiently and attentively," says Kirloskar.

Though Kirloskar didn't get to meet Jaitley, the finance ministry extended the concessions for six months before they expired on June 30. Clearly, he had been briefed well by his ministerial colleagues. Senior bureaucrats were opposed to any extension because it was burning a Rs 500-crore hole in the coffers every month, yet Jaitley had told an industry veteran that he saw merit in SIAM's argument.

Similarly, the sugar industry was pleasantly surprised to learn that a bailout was in the works (higher ethanol blending with fossil fuels, excise rationalisation and incentives for exports), though it had never met Modi or Jaitley. Birla of Ficci had met Prakash Javadekar, who holds the information & broadcasting and environment portfolios, for a discussion on the media two weeks earlier. Unprompted, Birla recounts, Javadekar took off on how to speed up environment clearances. The digression may have been planned to gauge industry's feedback.

Lobbyists say the buzzwords that click in the current administration are "growth" and "employment". Any demand woven around these two is likely to be considered sympathetically. CII's new tagline after Ajay Shriram, the chairman of DCM Shriram, took over as the president in March is: accelerating growth, creating jobs. "We have met many ministers as well as bureaucrats, even in the Prime Minister's Office," says Shriram. "Everybody is asking us for new ideas and thoughts."

Surprisingly, the group that was feeling ignored before the Budget was RSS, including ideologues like Mahesh Sharma and affiliates like the Swadeshi Jagaran Manch, Bharatiya Kisan Sangh and Bharatiya Mazdoor Sangh. They conveyed to the RSS brass that they will criticise the Budget if it failed to meet their core concerns. In mid-June, Sharma told a study group meeting at Deendayal Research Institute, a think tank affiliated to RSS, the Budget could be hobbled by the lobbies that led to the downfall of the United Progressive Alliance. But the consensus after the Budget within RSS and its affiliates was that the government succeeded in tiptoeing through the minefield of lobbyists to table a Budget that struck the right balance between fiscal prudence, growth and the social responsibilities of the government.

Lobbyists usually expect a pat on the back after the Budget. This year has been different.

JAITLEY OR MODI?

“The Prime Minister has a vision of developing ‘one hundred Smart Cities’ as satellite towns of larger cities and by modernising the existing mid-sized cities. To provide the necessary focus to this critical activity, I have provided Rs 7,060 crore”

“The government of Gujarat has embarked upon the mission to build the largest statue of Sardar Vallabh Bhai Patel. To support this initiative, I propose to set aside a sum of Rs 200 crore”.

“Gujarat has demonstrated successfully the Rurban model of urbanisation... The Shyama Prasad Mukherji Rurban Mission will be launched to deliver integrated project-based infrastructure in the rural areas”.

“I don't think there is any particular lobby that has influenced the Budget. For the first time, we saw work around most of the issues”

(Business Standard)