

POLITICAL DIARY KALYANI SHANKAR

Historic step PM must build on

Prime Minister Narendra Modi showed his showmanship once again by holding a glittering midnight Parliament session on Friday to launch the Goods and Services Tax, reminding one of the "Tryst with destiny" speech of Pandit Jawaharlal Nehru on the eve of Independence in 1947. While the Congress and some opposition parties boycotted the event, there is no doubt that it was a bold reform measure earning praise from multilateral agencies like the Asian Development Bank.

Finance Minister Arun Jaitley claims that the GST will boost economic growth and ensure that there is "no tax on tax". The GST will merge indirect taxes, which are currently applied by States into a single tax. There would be four tax slabs of 5, 12, 18 and 28 per cent, plus a levy on taxes on luxury items like cars, aerated drinks and tobacco products to compensate states for any revenue losses in the first five years. The new indirect tax regime will also make country's environment friendly for foreign companies. The GST will also give the much-needed push to the government's 'ease of doing business' initiative by simplifying the taxation procedure

Modi is perceived as being a little slow on the reform process. The Centre's chequered performance is due to two reasons. The first is that the ruling party faces roadblocks in the Rajya Sabha where the BJP is in a minority and the second is that there are some conflicts within the ruling coalition.

While Modi must be complimented for the reform measures he has attempted so far, there are crucial areas which still need reforms. They include taxation reforms, land acquisition, labour, banking, investment liberalisation and subsidy reforms. Modi has undertaken some key reforms including the diesel price deregulation, implementation of Direct Benefit Transfer scheme for transfer of subsidy for domestic LPG consumers and the Pradhan Mantri Ujjwala Yojana (PMUY) which aims to provide LPG connections to over 50 million women members of below poverty line (BPL) households. The establishment of commercial courts to deal with commercial disputes, liberalisation of foreign direct investment, rationalised bank-



ruptcy and insolvency policies and a bill on intellectual property rights are the other measures.

While there are kudos for Modi's efforts, there are also some critics. An article in the latest Economist magazine claims that while Modi is a fine administrator, he is not much of a reformer. "But the GST is perhaps the most obvious example of an opportunity wasted. Economists think a simple GST, which would have ensured businesses focus on goods and services that consumers want rather than those favoured by the tax code, might have added two percentage points to GDP growth. The complicated version will probably yield less than half that and only after a painful transition," it says.

But Modi's task has not been easy. In an interview to Wall Street Journal last year Modi spoke on his government's efforts to continue with the reforms process and his 'enormous task ahead'. In the past, he had to backtrack on difficult reforms in the land and labour markets. There is need to deal with the Rs.9.5 lakh crore of bad loans banks are saddled with due to corporate default. There is a proposal to set up a bad bank to which the banks can refer their bad loans. But Modi is in an upbeat mood and is keen on reforms after his political victories.

While Modi's critics are busy attacking him, the Congress-led opposition boycotted the midnight function. However, there are cracks in opposition unity. The Congress, RJD, Left and Trinamool Congress stayed away but parties like the JD (U), SP, BSP and NCP attended the function breaking the new-formed unity.

The opposition perhaps has not thought through its strategy. Instead of taking credit for GST, the Congress is sulking. After all, the Manmohan Singh government had been pushing throughout for GST but could not succeed because the BJP (in the opposition then) put obstacles in its passage. Now BJP has succeeded in pushing through the measure but with higher tax slabs. The Congress is not willing to allow the BJP to take credit. It also feels that the launch function was an attempt by the BJP to link itself to the legacy of independence. Also it was against Parliamentary tradition, the Congress argues. Some think that the Congress is churlish though Congress leaders claim that the boycott is not against GST but for the way the BJP was hijacking the credit. The other parties like the JD (U) and the DMK believe that the launch function was a BJP propaganda event appropriating all credit to itself for GST.

While the opposition was attempting unity moves keeping the 2019 polls in view, the midnight event has shown the cracks; this will cheer Modi for it will mean that his victory in 2019 is almost certain. He has reasons to cheer because even on the presidential polls the opposition has not remained united. A weak opposition is what helps Modi to rise and rise.

No doubt the launch of GST was a historic event but the Modi government's biggest task ahead is implementation. The next challenges are to food, fertilizer and other government benefits to the poor, banking and labour reforms. Modi has another two years to complete the process.