

NARENDRA MODI ACCELERATES ECONOMIC REFORM DRIVE

-Victor Mallet in New Delhi

Narendra Modi, Indian prime minister, has accelerated his economic reform drive a day after his party won two state elections. He appointed a liberal economist as adviser, demoted a senior finance official seen as loyal to the previous government and eased bureaucratic curbs on business.

After months of delay following Mr Modi's victory in the May general election, US-based economist Arvind Subramanian was appointed on Thursday as chief economic adviser, a post vacant since Raghuram Rajan became governor of the Reserve Bank of India more than a year ago.

Mr Subramanian – who will receive a basic salary of just Rs80,000 (\$1,300) a month – is a leading trade and development economist and author, and was a senior fellow at the Peterson Institute for International Economics in Washington.



Speaking outside the finance ministry in New Delhi, Mr Subramanian said it was a privilege to serve a government “that has a mandate for reform and change”.

He said: “I think good things are ahead for the Indian economy . . . For any economy like India, the two big things are macroeconomic stability and creating the conditions for rapid investment and growth.”

Writing in the Financial Times in April, Mr Subramanian described Mr Modi as “the go-getter from Gujarat” but after the election he criticised a lack of boldness in his government's first budget and its decision to renege on an agreement with the World Trade Organisation.

That prompted speculation that Mr Modi might cancel his planned appointment, amid growing concerns in the business world that the new government was not moving quickly enough to promote investment or clear the many obstacles to doing business in India.

But Mr Modi and his governing Bharatiya Janata party seem to have been galvanised by victories on Wednesday in state elections in Maharashtra, the state that is the biggest contributor to Indian economic output, and Haryana. Exit polls said the BJP had ousted the Congress party and its allies and would be the party with the most seats in both states. Votes will be counted and the official results announced on Sunday.

The government on Thursday unexpectedly demoted Arvind Mayaram, finance secretary, and moved him to the tourism ministry in a reshuffle of several senior officials. The new finance secretary is Rajiv Mehrishi.

BJP politicians predict that Mr Modi will also reshuffle his cabinet in November following accusations that some ministers lack the necessary skills to run their portfolios. Among other anomalies, Arun Jaitley, who has been admitted as a hospital patient for an operation and a subsequent infection, holds both the finance and defence portfolios.

Mr Modi himself launched a scheme on Thursday to streamline complex labour regulations that have been criticised by investors. Among other initiatives, businesses will be able to comply with national labour rules via a single electronic portal and workers will be encouraged to enter vocational training.

“Ease of business is important,” Mr Modi said, referring to his “Make in India” campaign to turn India into an industrial power. “We have enough manpower but it doesn’t mean anything if they are not skilled manpower.”