
Smog over Delhi, gloom over India's business forum

By Simon Denyer , Updated: November 8, 2012

The World Economic Forum went to India this week, but the movers and shakers who flew into the capital found a city enveloped in some the thickest, most toxic smog on record.

If that wasn't bad enough, the mood at the forum itself was not much sunnier. The Indian government may have burst into life in recent weeks, removing some barriers to foreign investment and promising to address the country's yawning fiscal deficit, but it clearly has not gone far enough to convince many people that changes will stick.

"Last year the mood was very optimistic but this year it is very subdued, primarily because confidence in the government is almost zero," said Sanjay Pandit, managing director of the Manpower Group in India. "This is one of the most inefficient governments we have seen in six decades since independence, and the biggest reason for that is corruption."

The country's economic growth of around 5 1/2 percent might seem good by Western standards but is a far cry from the 8 percent-plus levels of recent years. Slow and arbitrary decision-making by officials, a lack of coordination between ministries, restrictive labor laws, inadequate infrastructure and problems acquiring land were just some of the issues vexing the captains of industry and business here this week.

Things were so bad that one session was called "Rebooting India," as though the whole system itself had crashed.

"It is remarkable how quickly we have come to this point, but this is a country that cannot afford to undertake reforms only once every 30 years, said Gita Gopinath, a Harvard University Economics Professor. "You need consistent reforms."

Gopinath, whose impassioned comments drew loud applause, said that economic growth had not reduced poverty in India as much as in most other developing countries and that the biggest challenge was to "reboot" the country's manufacturing sector so that it becomes an engine of job growth. Only then would India be able to build a real political consensus around consistent reforms.

When India's new law minister, Ashwani Kumar, tried to take some credit on behalf of the government for creating the conditions that allowed India's economy to grow

so fast in the past two decades, he got a scornful response from Rahul Bajaj, the veteran chairman of the huge Bajaj industrial conglomerate.

“We have grown in spite of the government,” Bajaj said. “We decided many years ago that we will not do any business where we have to deal with the government. We have got so much surplus cash, and people say, ‘Why don’t you do this? Why don’t you do that?’ But it’s because we want to sleep well at night.”

Outside, some measures of particulate matter in the air peaked at 10 times recommended levels on Wednesday, a choking fog caused by freak weather conditions, straw burning in a neighboring state but perhaps most of all by fumes from Delhi’s ever more congested traffic.

By the end of the forum on Thursday, wind had cleared the smog somewhat, but the clouds enveloping India’s economic story may take longer to part.

© The Washington Post Company