During “normal times,” global power shifts happen quite slowly. But these are not normal times—crises present an opportunity for nations to stake out important leadership roles and accelerate nascent power transitions. As the Covid-19 crisis recedes in the coming months, India has an important opportunity to hasten its emerging role as a “great economic power.” The formula likely mirrors most of the hope and much of the action we saw in the early days of the Modi government’s first term—become a welcome haven for pro-growth investment.

While the worst of the Covid-19 crisis still appears to lie ahead for India, new prognostications from renowned institutions such as the International Monetary Fund (IMF) point toward rare economic growth in this fiscal year and growth rebounding to over 7 percent in the next fiscal. The Asian Development Bank (ADB) predicts 4 percent growth this fiscal and 6.2 percent in the coming year. If these estimates hold, India will be one of the few places in the world to sustain growth in the face of Covid-19 headwinds.

However, growth alone is insufficient to become a major global magnet for investment. India’s economic reform process has slowed considerably since midway through the Modi government’s first term. We quantify this reduction in the pace of reforms over the last six years through our India Reforms Scorecard 2014-2019 and the newer India Reforms Scorecard 2019-2024. Of the 10 total reforms completed in the last six years, six of them were in the first year of the Modi government’s first term. While India was able to sustain $45 billion to $50 billion in annual foreign direct investment (FDI), the “distance to frontier” is immense. At its peak, China pulled in well over $100 billion of FDI annually. Other emerging markets like Brazil and Russia regularly attracted over $60 billion during their peak years.

Post-Covid-19 India will have its own period of economic turmoil beyond simply trying to restart dormant industries. There are concerns that migrant workers who left urban areas may not want to return, requiring changes in urban industry and requiring more opportunities in rural areas. Voters may press India’s national and state-level political leaders to focus political capital on pursuing health care related reforms—preparing for a future pandemic. Trade will suffer, including petroleum trade. While India’s appetite for crude imports is well-known, India is also among the world’s largest exporters of refined products. And multinationals will be more cautious about making overseas investments.

**KEY DATA**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.-INDIA GOODS TRADE, 12-MONTH COMPARISON, PER U.S. CENSUS BUREAU</td>
<td>+0.4%</td>
</tr>
<tr>
<td>FOREIGN DIRECT INVESTMENT, 12-MONTH COMPARISON, PER RBI</td>
<td>+12%</td>
</tr>
<tr>
<td>FII ASSETS NET FLOWS, LAST 12 MONTHS, PER NSDL</td>
<td>-$7.4 bn</td>
</tr>
</tbody>
</table>
Despite these concerns, investors will seek out growing, welcoming environments for their capital. Groups like A.T. Kearney are already tracking changes in supply chains, per its recent Reshoring Index, noting that supply chain changes that were already underway could be accelerated in the months ahead. While Vietnam, Malaysia, Mexico, and other nations were initial first choices for new manufacturing investments, India’s growing domestic market presents a powerfully positive variable.

To its credit, a few significant reforms are now quietly in process in India. Three in particular point directly toward changes that manufacturers seeking to leverage India as a key hub in a global supply chain require. Notably:

- **Electricity Act amendments**: On April 17, the Ministry of Power unveiled a series of amendments to India’s Electricity Act for comment. The amendments could add much-needed teeth to the central government to ensure state governments honor contracts, dispatch renewable power, allow for private markets, and more. Lack of reliable electricity remains a key infrastructure constraint in India.
- **Labor reforms**: In late 2019, the Modi government introduced The Industrial Relations Code, 2019 bill to Parliament. Among its features, the draft code will allow the government to tweak the dreaded 100-employee cap for retrenchment by notification, potentially opening the door to much-needed flexibility in employment.
- **Port flexibility**: Fast, efficient, and transparent port operations are an important cog to global supply chains. India’s major ports suffer from the heavy hand of government intervention, while smaller ports are more nimble and efficient. The Major Port Authorities Bill, 2020 will add new flexibility to India’s major ports, which should help companies looking to import and export from India.

Of course, the list of potential reforms India should consider is far longer. We have catalogued many key reforms on our aforementioned India Reforms Scorecard. These include strengthening the Goods and Services Tax, legal administrative reforms, allowing foreign investment in sectors where it is limited like insurance and retail, access to capital reforms, and more. Regulators should also tread cautiously on pending legal changes that threaten India’s attractiveness to foreign investment, such as potential data controls. And India’s states hold much of the authority over the practical business environment.

Key actors in Delhi, Mumbai, and state capitals across India must work in concert to restart India’s reform agenda, leveraging this moment to stand for stability and growth during a tumultuous period.

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**INDIA REFORMS SCORECARD**

Our Reforms Scorecard covers 30 significant reforms that will trigger business growth and job creation in India. As of October 2019, one reform stands completed, and three reforms remain “partially done”. Our entire reforms scorecard can be found at [indiareforms.csis.org](http://indiareforms.csis.org)