

**Gujarat got to be India's leading industrial state through small government and corruption-free policies**

## **India's star state**

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India has achieved great economic and technological progress. However, growth and development has been uneven, with some states excelling and others remaining stagnant. Good governance and leadership has created stars, while the lack thereof has created laggards. Unlike totalitarian China, India's staggering diversity ensures that regions where progressive governments are elected show different results than those with corrupt and discriminatory rulers.

The western state of Gujarat has benefited from exceptionally enlightened and far-sighted leadership. The BJP administration and its visionary leader, Narendra Modi, have implemented policies that have vaulted Gujarat to the status of most-industrialized state in India. It is a leading foreign investment destination and has spawned world-class companies such as Reliance Industries.

Under Mr. Modi's leadership, the state has responded admirably to natural and man-made calamities. In 2001, a massive earthquake in the Kutch area killed 20,000. The Modi administration mounted a relief effort that garnered international praise. In less than five months, 400,000 children were back in rebuilt schools and today the area brims with activity as new industries and townships spring to life.

Crisis stalked Gujarat again in 2002, when Islamic mobs attacked and burned to death 61 Hindu men, women and children on a train in Godhra. Outraged by the savagery of the attack, thousands of Hindus protested throughout the state. Rioting ensued and state police struggled for days to restore order. Eager to destabilize Gujarat and India generally, a collection of extreme communists and Islamic fanatics began a vilification campaign to discredit Mr. Modi and his government. A global media effort was launched, foreign governments were influenced and spurious human rights reports were fabricated, alleging government complicity in the riots. Democracy eventually triumphed: In the 2002 state election, the people of Gujarat resoundingly delivered their verdict by reelecting Mr. Modi with a large majority.

Further vindication came in 2005, when the Rajiv Gandhi foundation, after an exhaustive study, concluded that Gujarat leads the nation in several key indices of governance and is a paragon of "economic freedom." The study closely parallels the methodology of the Fraser Institute's World Economic Freedom index. Economic freedom is the absence of government constraint in the production, distribution and consumption of goods and services beyond what is necessary for citizens to maintain liberty.

Of all states, the government sector in Gujarat accounts for the smallest percentage of the state economy. Wasteful subsidies are minimal and the state has the lowest number of days lost to labour strife. Corruption, the bane of so many Third World economies, is minimal in Gujarat. On personal safety, the state also scores well: A very small percentage of crimes are violent and the justice system speedily resolves

outstanding cases. The infamous red tape and bureaucracy that plagues much of India has been attacked in Gujarat, such that licences and permits are quickly available and foreign investors find it easy to do business.

According to the World Bank study India Investment Climate Assessment 2004, Gujarat's economy grew more than 8% between 1990 and 2000, contrasted with the overall Indian rate of 6%. The heavily industrialized state contains only 5% of India's population, yet accounts for 11% of GDP. Sixteen per cent of India's exports originate from this state, and Gujarati traders capitalize 30% of the stock market. New investments in the 1990s totaled US\$35-billion, and the per capita monthly income is more than double the national average.

Canadian firms, especially oil and gas companies from Alberta, have found rich pickings in Gujarat. The state is especially strong in the oil and gas sector. Calgary-based Niko Resources worked with Gujarat State Petroleum Corporation (GSPC) to develop the Hazira offshore oil field. Last week, GSPC and partner GeoGlobal Resources of Calgary discovered a blockbuster natural gas field off the coast of Andhra Pradesh — an estimated 20 trillion cubic feet of natural gas, worth US\$50-billion, which single-handedly doubles India's gas production. Mr. Modi described the find as an historic achievement.

Gujurat's achievements can be contrasted with other regions of India. The eastern state of Bihar, for example, is the country's poorest and most backward. Kidnapping, banditry and grinding poverty rule. Technology and development is virtually unknown. Much of this is the result of the state's leader, Laloo Yadav. Mr. Yadav, who has been charged with crimes including corruption, misappropriation of public funds and protection of criminals, has managed to hang on to his parliamentary seat while being out on bail for the past few years. His party, currently headed by his wife, Rabri Devi, has many members who face criminal charges, including murder. Yet Mr. Yadav and his party have managed to stay in power for more than 15 years.

Another example of a mediocrity is West Bengal, once India's leading industrialized state. Intellectual and cultural leadership flourished there until communists came to power in 1977. Communist rule has resulted in predictable consequences. In addition to driving away investment with strikes and militant unions, it has systematically attacked and denigrated traditional Hindu culture, which values education and achievement. According to The Economist, West Bengal's share of industrial output fell from 10% in 1980 to less than half of this in the mid-'90s.

Poor leadership and the adoption of policies that sacrifice merit in favour of quota fulfillment, minority appeasement and discrimination against the majority Hindu community are a clear recipe for disaster. The entrepreneurial savvy, high education levels and strong work ethic of the Indian people can only be unleashed through merit-based leadership as provided by leaders like Narendra Modi.

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FINDLAY KEMBER / AFP / GETTY IMAGES Gujarat's Narendra Modi: Progressive pays off.