



An unnecessary move

Handing back land to the Ram temple trust has no justification at this juncture

The Centre's request to the Supreme Court to allow it to return the "superfluous land" it had acquired around the disputed site in Ayodhya in 1993 is not innocuous; nor is it justified at this juncture. The court had ordered that the *status quo* be maintained on the entire extent of 67.7 acres acquired in the aftermath of the demolition of the Babri Masjid. Behind the apparently equitable argument that an extent of land not in dispute can be given back to its original owners is a barely concealed political motive. BJP leader Ram Madhav has said, "In view of the strong popular sentiment attached to the Ram Mandir, it is the least that the government could do." The sense of anxiety among the supporters of the Mandir cause over the delay in the adjudicatory process is palpable; but it is also indicative of an unreasonable expectation that the government should somehow facilitate the construction of a Ram temple regardless of what the court's decision is. It is to address this anxiety and mollify elements that are unhappy with the progress of the judicial process that the government wants the court to vacate its *status quo* order. It is a move fraught with the risk of reigniting communal passions at a time when the appeals against the Allahabad High Court's verdict in the title suits have reached the final stage of adjudication before the Supreme Court. The Centre's argument is that the Supreme Court, in *Ismail Faruqi* (1994) had itself said that once the objectives of the acquisition have been achieved, the superfluous area should revert to its owners. It has also contended that the *status quo* was required only till the disposal of the suits, which ended in 2010 when the Allahabad High Court decided them.

Is the issue really so simple? The court had noted that the adjacent area had been acquired so that the party that succeeds is not denied the fruits of its success by those in the adjacent areas through denial of access. It had said the *status quo* was required to avoid "reigniting communal passions detrimental to the spirit of communal harmony". Further, the trial court's decision in favour of a three-way partition of the land has not satisfied any of the parties, and the entire suit is once again open for adjudication. The time is hardly ripe for altering the *status quo*. Beyond all this, the idea of giving back 42 acres of land to the Ram Janmabhoomi Nyas, a trust dedicated to the cause of constructing a temple to Ram on the site where the demolished Babri Masjid stood, will be needlessly provocative. The trust had obtained its lease in 1992 in the run-up to the campaign to demolish the mosque, from the Kalyan Singh government, whose actions were demonstrably anti-secular. There is a case for reconsidering the lease, but nothing at all for this organisation to be given the opportunity to gather its resources in the vicinity of the disputed site.

Gold rush

Tightening monetary policies in the West and supply factors led to the spurt in gold prices

Gold is shining once again. The price of gold in the Indian market reached its highest-ever level, hitting the ₹33,800 mark in Mumbai on Tuesday in the midst of increasing demand from buyers and lagging supply in the global market. And it is not just the rupee that is witnessing a fall in value against gold. A similar trend has been seen in the price of other major emerging market currencies as well when their worth is measured against the yellow metal. In fact, many emerging market currencies have already hit, or are quite close to hitting, historic lows against gold. Against the U.S. dollar, however, gold is still priced well below its all-time high of over \$1,500 that was reached in 2012 even as it has shown some appreciation against that currency in the last few months. The increase in the price of gold worldwide should be seen against the backdrop of rising uncertainties that threaten to derail the global economy. Western central banks have been tightening their monetary policy stances for a while now, leading to increasing fears that this could put an end to the decade-long recovery since the 2008 Global Financial Crisis. The U.S. Federal Reserve has been at the forefront of the current tightening cycle. The resulting flow of capital from emerging markets to the West has put further pressure on various emerging market currencies. The rupee, for instance, has depreciated significantly in value against the U.S. dollar in the last year alone. This probably explains the divergence in the performance of the dollar *vis-à-vis* other emerging market currencies against gold. The U.S.-China trade war and the lowered rate of Chinese economic growth have added to fears of a global economic slowdown. Furthermore, as stock markets around the world continue to trade sideways with increased volatility, investors seeking financial safety have turned to gold and boosted its price. Many central banks have been trying to hoard gold to restore confidence in their currencies.

Apart from these short-term influences, there are probably other long-term secular factors at play as the price of gold looks to shoot up towards new highs. The fall in price after 2012 led to a fall in capital spending by gold miners, which has meant that supply has failed to keep up with growing demand. This is typical of all commodities that see years of oversupply that lead to a price slump followed by years of under-supply that leads to a jump in prices. The depreciation in the value of national currencies against gold is also an indication of the increase in inflationary pressures across the globe. What could put a premature end to gold's rally is the easing of policy by global central banks. While this will restore investor confidence in the global economy, it carries with it risks linked to debt-fuelled growth.

Stormy weather awaits India in 2019

The country faces a difficult external and internal situation. It needs to show more dexterity on the diplomatic front



M.K. NARAYANAN

As India prepares for the general election this year, all signs point to 2019 being a difficult year. Whether this would directly impact the poll outcome is uncertain, but the country needs to remain alert to unexpected developments.

As we enter 2019, the world outlook looks gloomy. Global disorder is the dominant imperative. A global leadership vacuum is leading to chaos concerning rules governing the international order. U.S. President Donald Trump's utterances and actions are provoking strong counter-reactions, especially from China and Russia. U.S. Vice President Mike Pence's attack on China, in October 2018, has signalled, according to many world leaders, the beginning of a new Cold War. Mr. Trump has threatened to pull out of a major arms control treaty with Russia. Russia has also been talking of building stronger deterrence. Cold War 2 seems for real now.

On different trajectories

Nations are today working at cross-purposes across the globe. Russia is vigorously pursuing its pivot to Asia and for greater influence in Eurasia. It has deepened its partnership with China, and enhanced relations with Japan and South Korea. Growing tensions in the Sea of Azov (following Russia's seizure of Ukraine's ships) could well lead to a major conflagration between Russia and the West.

China is consolidating its position in Asia. In addition to its strategic partnership with Russia, China has mended fences with Japan. Its Belt and Road Initiative has become the most potent weapon in China's armoury, with Vietnam

and Japan endorsing this concept. India finds itself increasingly isolated in Asia as a result.

Economic portents during 2018 for most of the world proved highly daunting. The most challenging was the spectre of an all embracing U.S.-China trade war. This had triggered highly unsettled conditions, and the situation was further aggravated by signs of a weakening Chinese economy. At the beginning of 2019, it is amply evident that politics is conflicting with business across the world. Hence, normal economic calculations are getting disrupted.

A decline in Britain's financial assets and of the pound sterling following Brexit, as well as signs of increasing fragility of China's economy, are newer concerns. The likelihood of the U.S. moving into a period of slower long-term growth, one that is likely to continue for a fairly long time, is aggravating this situation. India cannot hope to remain insulated from these trends.

Ties with Russia, Japan

Coming to India's foreign policy concerns, relations with Russia and Japan could see a reset. The strengthening of the Russia-China strategic relationship and the recent warmth in China-Japan relations could impact India's relations with both countries. Notwithstanding the warmth displayed in public by the leaders of India and Russia, and India and Japan, the character of our relations with these two countries could undergo a change. To what extent, is yet to be seen. What is evident, however, is that India will need to expand a great deal of its diplomatic capital to ensure that relations do not decline to any considerable extent.

Managing relations with China will be India's top priority. India-China relations are marked by a surface calm, but this masks an intrinsic struggle for influence in Asia and even beyond. The Wuhan Spirit, notwithstanding, little has



changed as far as India-China relations are concerned, except that there has not been any major Chinese incursion across the disputed India-China border.

China's outreach

In 2018, China had initiated certain moves to create a China-Myanmar Economic Corridor on the lines of the China-Pakistan Economic Corridor (CPEC). The Chinese Navy is also poised to challenge India's position in the Indian Ocean. Chinese submarines already outnumber India's here. China is preparing to outflank India by seeking control of the Kyaukpyu Port on the Arakan Coast in Myanmar, and planning a canal (the Kra canal), connecting the Andaman Sea with the Gulf of Thailand. Together with China's existing control over the Gwadar (Pakistan) and Hambantota (Sri Lanka) Ports, if China were to succeed in its attempts, it could give it a stranglehold across the Indian Ocean Region. India's capacity to counter such moves in 2019 appears extremely limited.

This year could see a further consolidation of the 'all weather friendship' of China-Pakistan. During 2018, Pakistan facilitated China's involvement in Afghanistan (and also succeeded in co-opting Russia to be a party to talks with the Afghan Taliban). The CPEC having weathered quite a few storms in 2018, seems well set to progress this further in 2019.

The prospects of India-Pakistan relations improving on the other hand, are extremely limited.

Cross-border terror attacks are likely to continue, as also sponsorship of terror groups like the Lashkar-e-Taiba and the Jaish-e-Mohammed. Where India will face even rougher weather, is in Afghanistan, where the Afghan state is perilously close to imploding. India has been kept out of talks with the Afghan Taliban by all countries concerned, including the U.S., China, and Russia, apart from Pakistan. This is making India's position here highly invidious.

Mixed challenges for India

The outlook for India in the rest of South Asia is also mixed. Towards the end of 2018, India could retrieve its position in the Maldives. It also succeeded in re-establishing its influence in Bhutan. The return of Sheikh Hasina as Prime Minister after the general elections in Bangladesh has been a welcome relief. Yet, India will need to work harder in 2019 to check China from wearing away its neighbours, including Nepal as also Bangladesh, with offers of economic and military aid. India will also need to use all its resources to assist Bangladesh to limit the influence of radical Islamist groups there.

Internal security, for the better part of 2018, remained on a relatively even keel. There were fewer Pakistan-sponsored terror attacks, but this is hardly an index of what lies ahead in 2019. Left extremist violence went up marginally in 2018, but the movement remained circumscribed within a core area in Chhattisgarh, Andhra Pradesh, Maharashtra, Odisha and Jharkhand. Ideologically, the movement has remained vibrant, and in 2019, both ideological and militant aspects will need deft handling.

The more challenging internal security problems will be Kashmir and the Northeast. In 2018, the situation in Kashmir sharply deteriorated, and the year witnessed some of the highest levels of violence since 1989. There was again a sharp spurt in the number of se-

curity forces personnel being killed, alongside targeting of their families.

The deadlock between the Jammu and Kashmir administration and militants is unlikely to be resolved. President's rule has made little headway in sorting out the conflict-prone situation. Militant outfits, the JeM and the Hizbul Mujahideen, appear energised by the turn of events and can be expected to become still more active. More educated locals are joining militant ranks. Disclaimers notwithstanding, the presence of the Islamic State is also in evidence. The consequences of this as far as 2019 is concerned could be considerable.

The other major internal security threat that India faces in 2019 is the resurgence of ethnic sub-nationalism in the Northeast. This has been simmering for some time, but now threatens to boil over, following the enactment of the Citizenship (Amendment) Bill. The Bill has given rise to fears that it would drastically alter the status quo in the region. The Amendment has helped unite vast segments of people across the entire Northeast. The divisive potential of the recently enacted Act, will have special resonance in an election year. It will demand sensitive and careful handling in 2019.

Two other issues that kept the nation on the edge in 2018, i.e. farmers' and Dalit unrest, still remain unattended as 2019 begins. Both can ignite fires, specially in an election year. There is little evidence, however, that the causes for the unrest are receiving careful consideration.

Considering the difficult external and internal situation, peace in 2019 may prove elusive. On the diplomatic front, India will need to be more dexterous. The internal situation will require to be dealt with far greater understanding.

M.K. Narayanan is a former National Security Adviser and a former Governor of West Bengal

Behind Trump's retreat

It is unlikely the U.S. will go through another crippling shutdown as the President has limited options on border security



SRIRAM LAKSHMAN

Last Friday morning as the U.S. federal government shutdown entered its 35th day there were reports of mounting flight delays in New York City's LaGuardia airport, as an unusual number of air traffic controllers had called in sick. If the government had been open, they would normally have received their paychecks on Friday, but for weeks their representatives and union leaders had warned that they were distracted at work – worried about how to put food on the table. Delays spread to other airports, including to the Washington DC area and to Hartsfield-Jackson Atlanta International Airport, one of the world's busiest.

The tension – and now danger – in the air was captured that morning by the Speaker of the U.S. House of Representatives, Nancy Pelosi, who tweeted: "Stop endangering the safety, security and well-being of our nation. Re-open government now!"

Shortly after 2 p.m., Mr. Trump announced that the government would be re-opened for three weeks, until February 15, by which

time, he said, the sides would have either agreed on a deal or he would declare a national emergency and build a wall on the Mexico border.

While we may never know exactly why Mr. Trump flipped and the moment it happened, unless he tells us (this assumes he knows it himself), one can posit that a combination of several factors in decreasing order of importance made him blink in this war of attrition.

The politics and more

First, and most importantly, the President saw that his plans were losing appeal to Republicans in Congress. Two Bills that were tested back to back on the floor of the Senate on Thursday last week failed to get the required 60 votes on the floor (where Republicans have a 53-47 majority). The first Bill had \$5.7 billion in border wall funding and the second, which was Democrat backed, had no funding.

Just prior to the vote, Republican Senators reportedly met with U.S. Vice President Mike Pence to air their frustrations over the shutdown. Senate Majority Leader Mitch McConnell was reported to have said that the government should not have been closed in the first place – a change from his initial position of not wanting to forward any bills to the Senate floor that the President would veto.



Also on Thursday, Commerce Secretary Wilbur Ross did a television interview in which he said he did not "understand" why furloughed workers were heading to food banks. His comments, along with those of Mr. Trump's daughter-in-law Lara Trump, who had also asked workers to "stay strong", painted a picture of an administration increasingly removed from and insensitive to everyday realities faced by many American workers. These are also likely to be some of the same struggles faced by Mr. Trump's core support base.

In addition to Congressional Republicans starting to tug at the rug under the President's feet, were his falling approval ratings. This is likely to have been a second factor that caused the President to change tack.

There was an increase of about 5 points in the percentage who blamed Mr. Trump since the earliest polls after December 22 when the shutdown began, and a 2-point increase in the percentage who blame Congressional Democrats.

Republicans on the Hill fare better – with a 3-point decrease in the percentage of those who blame them according to statistical analysis website fivethirtyeight.com.

Importantly, independent voters, a key component of Mr. Trump's victory in 2016, were increasingly (by 7 percentage points) blaming him for the shutdown.

Clearly, the President had painted himself into a corner by Thursday evening last week. After the two Senate Bills failed, he made an offer for a prorated down-payment on the wall to keep the government open for three weeks; this was rejected by the Democrats.

Friday morning's flight delays were a high profile event in a high profile city which also happened to be Mr. Trump's hometown. Understaffed air traffic control was also putting people's lives at risk: LaGuardia may have been the straw that broke the camel's back.

What next

It is unlikely the government will shut again on February 15 – that has proved to be an expensive exercise, costing the economy some \$11 billion (as per the Congressional Budget Office) and approval ratings for some parties to the stand-off. Bills are also being introduced to fund the government in the event a deal is not reached.

Yet building a wall is one of Mr. Trump's foundational promises to his constituents and so he is likely

to do whatever he can to deliver on that.

Lynn Sweet of the *Chicago Sun-Times* told CNN on Sunday as a recent luncheon Ms. Pelosi had attended. According to Ms. Sweet, Ms. Pelosi, gesturing at flowers on the table said, "President Trump could look at these [planted along the border] and he would say, 'This is a wall'."

However Ms. Pelosi meant it, the statement provides a hint as to how the next three weeks may go.

Mr. Trump has already attempted to back away from the need to have a 2,000-mile physical wall, for instance by talking about a "smart wall" – a concept floated on the Hill by House Majority Whip (Democrat) James Clyburn. That Democrats are willing to spend on border security and surveillance cameras, drones, and funding for more border agents may be where the compromise is found. For that compromise to take place, Mr. Trump will have to convince himself and his core supporters that this is indeed the "wall" he promised. If he does not take that way out, he may resort to declaring a national emergency – and that is almost certain to be challenged in court, where he may or may not win. Time will tell how things pan out. If a week is a long time in politics then three weeks is an aeon.

sriram@thehindu.co.in

LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

George Fernandes

With the passing of George Fernandes, India has lost a very sincere politician who dedicated his life to the cause of the nation. He was frank and forthright and, at the same time, very simple. There are many political anecdotes to prove that he stood by his principles. He will be missed.

K.V. SEETHARAMAIAH,
Hassan, Karnataka

India has lost a bold, daring and much loved leader. Honest and forthright, he fought for the rights of the poor and the downtrodden and won many over with his brilliant oratory skills. He shone as a Minister. The west coast will remember him as a far-sighted leader

instrumental in the Konkan Rail project becoming a reality.

M. PRADYU,
Kannur, Kerala

Goodbye George. With his passing, an era ends where politicians were sincere, simple and accessible. His tenure as Union Defence Minister will remain etched in our minds. In the end, George Fernandes was simple to the core and always accessible to the common man. It would be no exaggeration to call him the poor man's politician.

R. SEKAR,
Visakhapatnam

It can be rightly said that he was the last true socialist leader our country has

produced. He was also a self-made man, with a number of anecdotes to prove this. His strong principles and values will be remembered for long.

K.M. DIVAKARAN,
Kannur, Kerala

George Fernandes has left an indelible mark on public life with his dedication and selflessness, outstanding political acumen, administrative abilities and sagacity. As a brilliant and veteran parliamentarian and a true leader of the people, he fought for the rights of the underprivileged. He enriched parliamentary proceedings with his passionate espousal of public causes. In his eventful public life, marked by disarming

simplicity, there is no doubt that he earned great affection and respect.

NIRANJAN SAHOO,
Bhubaneswar, Odisha

India has lost a fiery leader and a visionary. The Konkan Railway project can be counted as one of his greatest contributions to public life.

C.K. SUBRAMANIAM,
Navi Mumbai

While it was painful to read about his passing, it was even more distressing to have very poor coverage on the great politician. Most news channels had the news only as part of the scroll. Didn't he deserve better?

ABID PASHA,
Hyderabad

Basic income

Universal Basic Income makes for good politics, but bad economics (Editorial page, "Think universal basic income", January 30). And it is almost sickening that the rhetoric of eliminating poverty makes the rounds every election year, even decades after Independence. Instead of a dole for the poor, the state must empower them by focussing on human development – through education, health care and vocational skills. Universal Basic Income is an escape from the responsibility of providing essential public services. Indians voters have been responsible and dutiful constituents. They deserve

an equally responsible government.

SUDHAKAR SINGH,
Noida

Sports coaching

Why should the sports authority recruit coaches from foreign lands when we already have some of the finest athletes who are willing to coach here? They understand the language, ethics and culture of the Indian sports setup. The authorities must support institutes set up by talented sportspersons like P.T. Usha (OpEd page, "The Wednesday Interview", January 30).

Y. MEENA,
Hyderabad

MORE LETTERS ONLINE:
www.hindu.com/opinion/letters/
M ND-NDE

The case for minimum basic income

It will address inequality, alleviate rural distress and include the urban poor



PUJA MEHRA

The Modi government will present its last Budget tomorrow. Conventionally, the Budget presented in an election year is a vote on account, aimed at providing funds for the government to function until the formation of new government. However, in recent times, the convention has been followed loosely. In 2014, for instance, the Manmohan Singh-led government's interim Budget announced the One Rank, One Pension scheme and allocated ₹500 crore for its rollout. By no means was this an emergency measure that could not have waited until the completion of the election. The Budget also announced cuts in excise duties on some items, including small cars and capital goods, in the hope of reviving consumption and investments. Therefore, it won't be surprising if the Modi government announces an income support scheme to mitigate rural distress in its interim Budget, in response to Congress President Rahul Gandhi's promise of providing minimum basic income to the poor, if voted to power.

Some encouraging results

The cynicism over the avant-garde policy tool of minimum income seems overblown. A pilot project conducted between 2010 and 2013, covering 6,000 beneficiaries in Delhi and Madhya Pradesh, yielded encouraging results. It confirmed that at high levels of impoverishment, even the smallest income supplement can improve nutrient intake, school enrolment and attendance of female students, and reduce incidence of indebtedness. The study showed that consumption of pulses went up by 1,000%, fresh vegetables by 888%, and meat by 600% among the beneficiaries. This evidence challenges the commonly held views that welfare payments are an affront to the dignity of the beneficiaries and that they are used for questionable purposes, such as for buying alcohol.

There are other questions, too: Why income support and why now?



"Rural distress is largely a consequence of policy failures." A parched paddy in Tezpur in Sonitpur district of Assam in 2006. ■RITU RAJ KONWAR

What are the operational and design imperatives? And how much fiscal space can be opened up in a sustainable and serious way? Let's look at these concerns.

Why income support?

The reforms since 1991 have largely bypassed agriculture and other segments of the economy that engage poor and rural Indians. While incomplete economic liberalisation and technological advances have led to growth in national income, all individuals have not gained equally. The disproportionate share of gains from the reforms have gone to middle-class and rich Indians. This unevenness in development calls for a superior economic growth model. Until that happens, redistributive policy interventions such as income transfers can improve equity. Income transfers are not to be confused with doles or unemployment benefits. They are unconditional income supplements to compensate for policy failures and ease the economic anxieties of the less advantaged. In the West, economists are advocating universal basic income to fight inequality and slow wage growth, allay fears that immigrants will take away jobs, and advance automation.

Besides equity, there's also an urgent need to address rural distress, which is largely a consequence of policy failures such as ineffective procurement and perverse trade and pricing policies that have in times of bumper harvests led to gluts, depressed market prices, and aggravated farmer losses. So, it is only fair

that the government pays reparations to farmers in some form.

At least two States, Telangana and Odisha, are already experimenting in a limited way with income support schemes, focused on the farm sector. In Telangana, the government is providing farmers income support payment at the rate of ₹10,000/ha (₹4,000/acre). However, this model, the Rythu Bandhu, benefits the biggest landowners the most, including those who lease out their land. Tenants, sharecroppers and landless labourers, the most vulnerable, are out of its coverage. Its success depends on reliable land records.

Odisha's recently notified KALIA (Krushak Assistance for Livelihood and Income Assistance) irons out these creases. It proposes to transfer ₹5,000 in cash per season (₹10,000 per year for double-cropped land) to the State's 30 lakh marginal farmers, leaving out the two lakh large farmers. It promises cash grants of ₹12,500 each to the State's 10 lakh landless households. The hope is that they will use this money to rear goats or poultry and farm mushrooms or honey. Fisherfolk are covered too, and will receive the investment support for buying fishing nets and allied equipment.

Last year, the Budget had promised compensatory payments to farmers equal to the gap between depressed market prices and the minimum support prices (MSPs) announced. But MSP-based payments distort price signals to farmers on what to produce and how much in the subsequent season.

Rythu Bandhu and KALIA are superior policy interventions. Plus, they do not suffer from the moral hazard and limited reach of farm loan waivers. Waivers penalise farmers who repay loans on time and benefit only borrowers from banks.

The advantage of a minimum income guarantee is that it will also cover the urban poor, who are not covered in these schemes. While job guarantee programmes, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme, lock up beneficiaries in low-productivity work, income supplements allow them to continue to look for better employment options.

Opening up fiscal space

And are these schemes feasible politically, operationally and fiscally? Income supplements can be transferred into Jan Dhan or Post Office accounts. Beneficiaries can be selected through the Socio-Economic Caste Census (the last round was conducted in 2011, the results of which were released in July 2015).

Increasing the fiscal deficit hurts the poor, for it sparks off inflation and cannot be the way to fund income transfers. Is there really a paucity of funds or judiciousness in spending? In 2017-18, the Centre and the States collected more than ₹5 lakh crore through various taxes, royalty payments and dividends from producers and consumers of petroleum products. Streamlining distortionary and demerit subsidies, such as on urea (₹70,000 crore annually), can open up significant fiscal space. Healthcare, education, water conservation, environment and other merit subsidies need to be preserved and improved and should not be reduced to fund income transfers.

If the wealth tax that the government had abolished in 2015 is reintroduced as a fair and easy-to-collect levy on the super-rich, selling politically to the middle class an income support scheme for the poor will be easier. Taxpayers must realise that agri-prices, and therefore farm incomes, are not free market-driven. They are kept artificially low, through pricing policy instruments, so that inflation does not erode the rest of the population's purchasing power. Will Mr. Modi bite the bullet?

Puja Mehra is a Delhi-based journalist

Getting back on track

South African President Cyril Ramaphosa's visit to India helped further strengthen bilateral ties



RAJIV BHATIA

South African President Cyril Ramaphosa's visit to India last week was significant. Its value lay in strengthening the people-to-people aspect of the bilateral partnership, and focusing on the implementation of previous agreements signed by the two governments.

As the chief guest at the Republic Day celebrations, Mr. Ramaphosa followed in the footsteps of President Nelson Mandela, who played this role to perfection in 1995. The presence of a South African president at the parade was especially pertinent, as this year is the 150th birth anniversary of Mahatma Gandhi, a common hero to both countries.

Through the first Gandhi-Mandela Memorial Freedom Lecture, hosted by the Indian Council of World Affairs, Mr. Ramaphosa related the story of Gandhi's impact on South Africa, on Mandela, and the way the combined legacy of the two icons moulded the relationship between the two countries. He saw India and South Africa as "two sister countries separated by an ocean, but bound by history." Mr. Ramaphosa's message was that in view of the rich past of this special relationship, the two nations should strive harder to keep it strong and vibrant.

Defence and economic cooperation

As to the dialogue at the government level, there was a shared awareness that New Delhi and Pretoria had signed a large number of agreements, but it was now time to concentrate on implementation, since progress has been slow. The visit resulted in finalisation of a strategic programme of cooperation aimed at implementation in a time-bound manner.

Diplomatic sources have indicated that specific emphasis in the next three years would be on promoting defence and economic cooperation. On the former, the way was cleared last year when an agreement was reached to allow the South African public enterprise, Denel, to participate again in the procurement of military equipment by India. Earlier, for years, the company had stood blacklisted because of using agents to pay kickbacks. Its products and technology are world class, the reason why Delhi chose to devise a compromise. Defence cooperation extends to other areas too: maritime se-

curity, joint training exercises on sea and land, and provision of training facilities.

Despite promotion, bilateral trade and investment are yet to show robust and speedy expansion. A continuous process is under way to identify inhibiting factors. Some of them relate to the small size of the South African economy and its slow rate of growth. Lack of direct air connectivity and South Africa's rigid business visa regime are seen as discouragements. Mr. Ramaphosa agreed to reform the visa regime. He also identified a few sectors where India's investment would be most welcome, such as agri-processed goods, mining equipment and technology, financial sectors and defence equipment.

Multilateral groupings

India-South Africa cooperation in multilateral groupings came up for a close review, especially the India-Brazil-South Africa (IBSA) forum and the Indian Ocean Rim Association (IORA). New momentum is being imparted to IBSA, which has been 'displaced' by the larger grouping, BRICS, in recent years. The fact that Mr. Ramaphosa's talk was portrayed as one of the select events marking 15 years of IBSA



and that he met the Brazilian president just before his arrival in Delhi indicates that India may be willing to host the much-delayed IBSA summit this year. Prime Minister Narendra Modi and President Ramaphosa agreed on measures to further strengthen IORA. A specific decision was to enhance cooperation to harness the potential of the Blue Economy within the IORA framework.

The two leaders also witnessed the exchange of two new agreements of cooperation. These formally linked the Research and Information System for Developing Countries, a policy research institute in Delhi, and two premier South African think tanks – the Institute for Global Dialogue and the South African Institute of International Affairs. The three institutions have been entrusted with the task to conduct joint research and dialogue in 1.5 track format (i.e. involving officials and experts) on "areas to further promote practical cooperation with Africa."

In sum, the President's visit was a notable plus in the Modi government's record of deepening relations with Africa. As to the visitors, the Delhi sojourn should have sharpened their awareness of the desirability to pursue a more balanced Asia policy, factoring in the complex dynamics between India and China.

Rajiv Bhatia is Distinguished Fellow, Gateway House and former High Commissioner to South Africa

SINGLE FILE

A leader of the workers

George Fernandes' passionate trade union work helped mute violent conflict in democratic India

DEVAKI JAIN



George Fernandes was one of the most vivid characters in the Indian political landscape from the 1960s onwards. He was a passionate believer in worker unions and in the socialist order. Among the cohort of laid-back political activists those days, Fernandes was a fireball – articulate, courageous and outspoken. While some of that passion got diluted with increasing engagement in formal politics, his commitment to old-fashioned democracy and socialism could never be dampened. He was a workers' man, who, along with unionised hotel waiters, hawkers, and workers from the transport sector, could bring Bombay to a halt. In 1974, Fernandes famously led the largest railway strike that India has ever seen, which Prime Minister Indira Gandhi responded to by arresting or detaining thousands of trade unionists.

Fernandes was also a fearless dissenter. He was an anti-Emergency crusader. He spent the Emergency years in prison and even contested the 1977 elections from there. He won by a huge margin. The Janata Party was then elected to power and he was made Industries Minister in the government led by Morarji Desai.

But power corrupts. His induction into formal politics did not sit well with his personality or his actions. As Defence Minister, Fernandes was embroiled in the Kargil scam. The *Tehelka* expose on the murky defence deals of the National Democratic Alliance forced him to resign.

But his downfall is not how we should remember Fernandes. We should remember him because he belonged to an era where leaders represented economic groups rather than castes or families. We should remember him because while at present there are many political and social leaders who may term themselves as being of the people, Fernandes was truly a man of the people.

And we should remember him because the worker in India today, whether in the formal or informal sector, is under threat. Unions face challenges right from getting themselves registered. The recent proposal to amend the Trade Unions Act of 1926 was met with protests – unions said that the government was trying to interfere in their functioning. In this era, we should remember stalwarts like Fernandes who understood that unless workers, like other professionals, are able to assert and organise power and negotiate the terms of their employment, there will be feudalism.

Worker unions were not only a vital institution for democratic India to thrive, but it was due to their propagation, aided by people such as Fernandes, that violent conflict was muted. His passing should be a reminder to support existing unions and build more unions.

The writer is an economist



FAQ

GST revenues going off target

With tax rates being cut regularly, experts fear collections will fall further

TCA SHARAD RAGHAVAN

What is the problem?

Even though the official data for Goods and Services Tax (GST) collections in January will be released on February 1, several news agencies have been reporting that the GST collection for January 2019 will come in at ₹94,000-96,000 crore, which is lower than the year's average and far lower than what experts estimate the government should be getting. The average collection between April and December was ₹96,782 crore. The collections crossed the ₹1 lakh crore mark only twice in the nine months under consideration. Even this was lower than the ₹1.1 lakh crore tax analysts say the government should be collecting.

Given that the GST Council cut rates on a number of items and services in its December 22 meeting,

the likelihood of January's revenue being even lower than December's low of ₹94,726 crore is very high. If this is the case, it would mark the third consecutive month of falling GST revenue.

Why is this happening?

The GST Council, in its 31st meeting on December 22, cut rates on almost 20 categories of goods and a number of services. As a result, only one common-use item – cement – was left in the highest tax slab of 28%. The reason for the creation of the 28% slab was to offset the lower collections from the items that were made exempt from GST or put in the lowest slab of 5%.

Naturally, a reducing number of items in the 28% slab will result in lower collections. The way to offset lower rates is to increase the number of people paying tax. That is, compliance has to increase. However,

analysis by *The Hindu* of GST data has shown that compliance has, in fact, been falling. The data show that while the number of people required to file monthly returns has grown 32% from July 2017 (when GST was implemented) to about 98.5 lakh in November 2018, the number of people not filing these returns has grown 167% during that time. In other words, the number of non-filers is growing faster than the tax base itself.

The government seems to have identified another reason for falling revenues: businesses generating fake invoices to claim higher input tax credits than they should be receiving. The tax officials are now starting to look at this in a deeper manner and examining how to plug the leaks.

The root of this problem is that the government doesn't have an easy and accessible way to match the

invoices of sellers and buyers and catch discrepancies. That system will likely be rolled out from April 2019 onwards, but there is no official clarity on what it will involve.

Why is this worrisome?

Falling GST revenues themselves are a worrisome prospect because they put pressure on government finances, and especially on other sources of revenue. Direct tax collections have been growing at a robust rate for most of this financial year. But this also means that the government will be hard pressed to reduce personal income tax rates in the General Budget of 2019-20.

Weak GST revenues also limit the government's ability to provision enough resources for any budgetary support it might decide to give the agricultural sector or to small and medium businesses.

FROM THE HINDU ARCHIVES

FIFTY YEARS AGO JANUARY 31, 1969

Recovery for Annadurai after set-back

Mr. C.N. Annadurai, Chief Minister, whose condition continues to cause anxiety, made a miraculous recovery from a near-crisis condition which set in shortly before 6 p.m. yesterday [January 31, Madras]. Mr. Annadurai had to be given artificial respiration at 6-15 p.m. when he was near collapse. Rumours were spread that his end was near and the people became agitated. These rumours were, however, set at rest by a bulletin issued at 7-15 p.m. which said the Chief Minister was rallying and responding to treatment. A bulletin issued at 3 a.m. said: "The Chief Minister's condition is better now than what it was at 9 p.m. (yesterday). His blood pressure is sustained at a satisfactory level. Other physiological recordings are all much better. Yet his condition causes a certain amount of concern."

A HUNDRED YEARS AGO JANUARY 31, 1919

The Sedition Bills.

Commenting on new repressive legislation, the 'Maharashtra' (Nagpur) exhorts all-Indian members to remember the history of the Press Act and the Defence of India Act. The Press Act was expressly intended for the suppression of anarchist propaganda. Mr. Gokhale and others replying on the solemn official promises supported the Act, but repented afterwards when it was too late. Promises were broken and the Act was abused. The Defence Act was a war measure undertaken to suppress enemy plots and secret intrigues. Was it not used against Mrs. Besant and many others engaged in peaceful constitutional agitation. Who can guarantee that the new laws will not be similarly abused. We cannot sell our liberties and birthright for a hundred Montagu Schemes. The paper publishes the names of Indian members and urge the people to hold protest meetings everywhere and pass resolutions appealing to the Indian members severally and collectively to oppose the measure tooth and nail.

CONCEPTUAL

Beveridge curve

ECONOMICS

This refers to a graphical representation that shows the relationship between the unemployment rate (on the horizontal axis) and the job vacancy rate (on the vertical axis) in an economy. It is named after British economist William Beveridge. The Beveridge curve usually slopes downwards because times when there is high job vacancy in an economy are also marked by relatively low unemployment since companies may actually be actively looking to hire new people. By the same logic, a low job vacancy rate usually corresponds with high unemployment as companies may not be looking to hire many people in new jobs.

MORE ON THE WEB

Can India handle more tigers?

<http://bit.ly/HandlingTiger>