



The Indian EXPRESS

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RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

How to use the mandate

New government should utilise its enormous political capital to introduce economic reforms



NEELKANTH MISHRA

THE NEW ORDER

Amit Shah's entry into cabinet marks a significant transition that could re-shape both government and party

HUNDREDS OF MILLIONS of people rarely agree on who should make decisions on their behalf. The BJP now has an overwhelming majority in the Lok Sabha, and has possibly a good chance of crossing the halfway mark in the Rajya Sabha by next year as well with allies. Even as political scientists bemoan the rising concentration of power, hopes have picked up again of a radical reorganisation of the economy that improves the "collective good".

In India, there has rarely been a dearth of options on what needs to be done, and there is a long list of reforms that often appear on wish-lists, each discussed for decades. For example, the problems of the railways have been repeatedly documented, their criticality for the economy highlighted, and suggestions for ending the government's monopoly, splitting it, corporatising it, listing it or privatising it have been made. Administrative reforms were first discussed more than five decades ago. India's laggard manufacturing has similarly dominated economic literature and the voices of commentators for a long time. Much has been written on the challenges of power distribution: Notoriously inefficient state-government monopolies; or on agriculture, where India's workforce remains disproportionately large.

There are a few areas where significant background work has been done, and the process needs to move towards conclusion, such as in labour reforms. More than 40 laws with often contradictory clauses are to be replaced by four new laws (or codes); The first of these (the code on wages) now needs to be legislated. The code on labour could be next. There are some long-standing issues like urban infrastructure and affordable housing where intent has been shown and efforts made, but with limited success so far: Continued focus would be of the essence. The realisation in the past few years that there is scope for significant improvement in the abysmally low direct tax to GDP ratio also needs to see some follow-through.

To these must be added some new challenges that have a more recent provenance,

that is, those that have only become critical in the past few years. In these, the problem itself has to be first defined properly, and the government's approach made clearer.

The foremost here must be India's frighteningly growing dependence on imported energy. As discussed in this column last year ('An agenda for energy', IE, October 23, 2018), one cannot grow economically without consuming more dense forms of energy, and India either does not have domestic sources of dense energy, or does a poor job in extracting and using them. As a result, import dependency is rising, creating growth risks: These days even a \$10 rise in crude oil prices begins to threaten growth.

The second has to be the financial system where government owned (PSU) banks still dominate. When 90 per cent of the bad loans in the past few years turned out to be in PSU banks, the government made a tacit assumption to privatise the financial system by stealth. It assumed that as PSU banks lost market share to private banks and non-banking financial firms (NBFCs), the system would become privatised. This had worked (even if unintentionally) in airlines and telecom, but once the NBFCs growth slowed due to a funding crunch, the problems in this approach have become obvious. The recent economic slowdown is perhaps worsened by a lack of financial capacity in the system: A decisive approach on the financial architecture in India is necessary.

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The third has to be a rethink on foreign capital inflows. Total capital inflows as a share of GDP last year fell back to 2002 levels, and can become a cap on economic growth, particularly given rising energy imports. The last time the rupee's convertibility on the capital account was discussed in-depth and a consensus built on the framework, India's economy was the 15th largest in the world, struggling with chronic high inflation and no demonstrated commitment to fiscal responsibility. The world has also changed, in its geopolitics as well as growth assumptions and capital flows. The objective should not just be to attract more foreign capital, as it can cause undesirable volatility, but to prudently assess

which risks are worth taking, given the changed domestic and global environments.

The fourth would be better measurement and transparency. Everyone being on the same page on where our fiscal deficits are, where our growth is, and if we are creating enough jobs, is important. Even if some of the distrust on growth metrics is politically generated, there is no doubt that the Indian economy is very hard to measure, and that the time spent debating whether the economy is growing or not is a waste. This uncertainty has real costs too: The lack of a clear time series and the policy on off-balance-sheet borrowings by the government is one of the factors often quoted to justify high interest rates in the economy.

That change has been slow on all of the known fronts is a reflection of the challenges in economic reforms. First, even steps that improve the "collective good" have interest groups that would lose economic power: Think, for example, about corporates that lose control of their companies if the firms go bankrupt, or tax evaders who are forced to pay up. The losers can exert more pressure in the near term than the beneficiaries whose gains can be more diffuse: How does a citizen for example count her gains from "efficient allocation of capital"? Second, reforms are disruptive, and the more radical ones almost by definition involve uncertainty, like a surgery: Slip-ups in execution can imperil even the best intended changes. Third, given that reforms for the above reasons use up political capital, or goodwill of the masses, it is tempting to target incremental improvement. This requires sustained effort and is less risky: Not all cricket matches are won by hitting sixes.

At the same time, political capital, earned through hard work in elections, also fades fast. Spending some of it to push through some long pending decisions could be the stimulus a three trillion dollar economy needs to keep growing rapidly.

The writer is co-head of Asia Pacific Strategy and India Strategist for Credit Suisse

The new Narendra Modi ministry sworn in on Thursday, for the second term won after a spectacular mandate, sends out at least three messages. First and foremost, is the shift, from party presidentship to the cabinet, of Amit Shah.

The man who, over the last five years or so, has remade the BJP, stamped the party with the personal and political imprint of its Big Two, Modi and Shah himself. The man who has aligned the *sangathan* (organisation) with the *sarkar* (government) more purposefully than ever before. Now, Shah's move to government consecrates that coming together, and signals that it will be carried forward. In all probability, the boundaries between the two will be more permeable — or will wither away more than before. A new dynamic may have been set in motion on Thursday. It will be watched. What will the closer fusing of party and government mean in terms of the centralisation and concentration of power? What will it do to the lines of accountability that run between government and the people? Of course, by becoming minister, after winning a Lok Sabha election, Shah is also making an important personal transition, marking his own arrival from the backroom to political centrestage. He is no longer just the master of the machine, but the most prominent leader on the BJP's reconstituted second rung.

The second message can be read from the inclusion of former foreign secretary S Jaishankar into the cabinet. Jaishankar, foreign secretary from January 2015 to January 2018, has previously held crucial positions like the ambassador to China and the US. He had played a key role in stitching an international consensus that paved the way for the Indo-US civilian nuclear deal. His lateral entry in the Modi cabinet — he has no political experience nor any electoral record — adds experience and heft to any future agenda of engagement with the world, especially with the big powers. It also signals that this government is willing to cast its net wider for talent. For a government that takes charge with a mandate as large as this one, there will be greater expectations than before. To fulfil them, it will need to reach out to tap the best resources, enlarge the catchment area. In that context, the induction of Jaishankar is a welcome signal of openness.

The third message from Thursday's exercise is that in both the BJP party and government, the old order is yielding place to the new. The process that was set in motion in 2014 has almost reached culmination. While Arun Jaitley may have bowed out of government due to health reasons, the fact that Sushma Swaraj will no more be part of the BJP government either, after having refused to contest the election, is a powerful statement of change and transition.

RACE FOR TEL AVIV

Netanyahu fails to stitch a coalition. Fresh elections could mean another campaign focused on muscular nationalism

IN JULY, BENJAMIN Netanyahu will become the longest-serving prime minister of Israel, beating David Ben-Gurion, the country's founding prime minister. That milestone for the right-wing Likud's leader, however, will be bitter-sweet: A month after the general elections concluded in April, the Knesset voted overwhelmingly to dissolve itself, and fresh polls will likely be held in September. After the election results in April, it seemed that Netanyahu had succeeded in projecting himself as the only strongman capable of protecting Israel and the narrative of national security was enough to counter the charges of corruption and impending indictment by the attorney general.

Netanyahu has earned the dubious distinction of becoming the first PM-designate in Israel's history to be unable to stitch together a coalition. This becomes even more surprising given that the Likud increased its tally by five seats (to 35) in the 120-member Knesset. The prime minister is caught between religious and military hardliners: Former Defence Minister Avigdor Lieberman, whose party's support was vital for a right-wing coalition, has insisted that the number of ultra-orthodox Jews in Israel's military draft be increased, while the religious elements of the prospective coalition opposed the move. The fear, as Israel enters into campaign mode once again, is that the poll-time rhetoric will make the possibility of a meaningful dialogue with Palestine even more remote.

Netanyahu may well believe that projecting an even more muscular nationalism, one which furthers a sense of siege in ordinary Israelis, is his best chance of retaining office. Before the 2015 elections, he had been an advocate of a two-state solution to the Israel-Palestine conflict. His turnaround before that campaign yielded political dividends and at the same time, pushed farther away the possibility of peace. Ahead of the 2019 elections, even the principal Opposition, the newly-formed Blue and White party, maintained a hard line on Palestine. There is the possibility that the political churn in Israel could throw up a more centrist alternative. Or a new government could maintain the status quo or even further the othering of Palestinians. New Delhi, a traditional ally of Palestine with increasingly deep strategic and economic ties with Israel, can only wait and watch. PM Narendra Modi has managed to de-hyphenate relations with Israel and Palestine. India's relationship with Israel is likely to grow, no matter who wins the race for Tel Aviv.

FREEDOM GAS

After some solid states, America claims to give freedom to liquefied natural gas

America stands for a lot more than freedom now. It stands for "freedom gas". And you would be foolish to think this is just more hot air emanating from POTUS and his administration. A press release this week, from Trump's Department of Energy (DoE), has re-labelled liquefied natural gas.

Mark W Menezes, the US undersecretary of energy, renamed LNG while announcing the DoE's approval of increased exports of the natural gas produced by Freeport LNG, a gas production facility off the coast of Texas. The announcement also quoted the energy department's assistant secretary for fossil energy as saying that the DoE is aiming for the "molecules of US freedom to be exported to the world". This decision by the Trump Administration seems to sit nicely with Jacques Charles's pioneering work. He said that the volume of a gas is proportional to its absolute temperature at constant pressure. The Trump presidency has indeed been under pressure. Naturally, the volume of rhetoric can only increase as "fake news media" ratchet up the temperature with multiple investigations. Earlier this month, the US energy secretary had informed an audience that "the US is again delivering a form of freedom to the European continent", and that instead of "young American soldiers, it's in the form of liquefied natural gas".

This is the extension of a legacy. The White House cafeteria is said to have renamed French fries as "freedom fries" in 2009 when the French opposed the Iraq war. Wondering about the equivalent connect for freedom gas? China is the world's largest source of natural gas demand globally now and the US is one of the biggest exporters of it. Freedom always has a price.



TILAK DEVASHER

PRIME MINISTER NARENDRA Modi's new government has begun its second term well by continuing its policy towards Pakistan — "terror and talks can't go together". The response to the Pakistan prime minister's congratulatory tweet and telephone call after the electoral victory was formal and correct. This has been followed up by not extending an invitation to Imran Khan to attend PM Modi's swearing-in ceremony. As it settles into its second term, the government could consider the following factors while determining possible approaches towards Pakistan.

Imran Khan should have more than four years to go as PM provided, of course, he stays on the right side of the army. Pakistan's economy is on the brink, with the rupee in free fall, mounting deficits, plummeting foreign reserves and a mountain of debt re-payments. Not surprisingly, the IMF has been insisting on tough conditions before it provides Pakistan a \$6 billion bail-out package. Then there is pressure from the Financial Action Task Force (FATF) for Pakistan to get its anti-terrorism financing law and practices in line with the international community or face black-listing. To top it all, relations with the US are at a low despite Pakistan's role in the US's exit strategy from Afghanistan. The one silver lining is, of course, the "all-weather" friendship with China, notwithstanding the Masood Azhar listing in the 1267 committee of the UN.

As against these short-term and immediate factors, India would also need to consider some long-term issues. Key among these are

PLAY THE LONG GAME

Modi government should maintain the pressure on Pakistan and its PM

that the Pakistan Army continues to call the shots on security and foreign policy, especially with regard to India. Its animosity towards India will not change in the short to medium-term and India will continue to be projected as an existential threat. The army will not relent on fomenting terrorism in an attempt to seize Kashmir. It would, therefore, not jettison the jihadis despite international pressure.

Another element to consider is Imran Khan's personality. Despite being beholden to the army for survival, he is the face of the current phase of Pakistan's democracy and his predilections have to be factored in. Four strands need to be noted: First, he has a strong belief in establishing an Islamic welfare state. Second, he is prone to making announcements without due deliberations/consultations, leading to frequent 'U' turns. Third, like all fast bowlers, he is quickly provoked and responds in anger, straying from the script. Fourth, he is media savvy, articulate and can make out-of-the-box suggestions.

During the sidelines of any meeting at the Shanghai Cooperation Organisation in June or elsewhere, the Indian government could follow up on its initial response by continuing to be formal and correct with a hint of being enigmatic. The stress could be that India, despite taking the initiative in the past, has been met with disappointment and duplicity. Therefore, only small steps can be taken towards normalisation.

To break the ice, New Delhi could adopt a transactional approach where Pakistan is

To break the ice, New Delhi could adopt a transactional approach where Pakistan is asked to demonstrate good faith through a slew of measures, like allowing land transit to Afghanistan. Imran Khan had himself talked about regional trade when elected. This would test the army's sincerity in wanting better relations and allowing PM Khan the space to deal with India.

asked to demonstrate good faith through a slew of measures, like allowing land transit to Afghanistan. Imran Khan had himself talked about regional trade when elected. This would test the army's sincerity in wanting better relations and allowing PM Khan the space to deal with India. Another issue is the speedy trial of the Mumbai accused, severely restricting the activities of terrorists like Hafiz Saeed and Masood Azhar as also curbing terrorism directed at India.

These good-faith measures could be finalised, if necessary, through restarting the back-channel with a designated Pakistani representative. A decision on talks at the official level to discuss substantive issues, especially terrorism, could be taken after gauging Pakistan's sincerity. In the meanwhile, formal meetings at multilateral fora could continue as photo-ops. Normalisation of relations should be treated as a distant objective, desirable but not essential.

Given the situation that it is in, Pakistan needs time to resolve its internal problems and contradictions. Just announcing that talks are to be held with India would ease one major element of its problems — international pressure. This is something that India need not facilitate.

Devasher is author of 'Pakistan: Courting the Abyss' and 'Pakistan: At the Helm'. He is a former Special Secretary, Cabinet Secretariat, and currently member, National Security Advisory Board



MAY 31, 1979, FORTY YEARS AGO

SPECIAL COURTS SETUP THE GOVERNMENT HAS issued a notification for the setting up of two special courts to try emergency offences. The courts, to be called Special Court No. 1 and Special Court No. 2, have come into being with immediate effect, but they will start functioning only after the Chief Justice of India names two judges to preside over them. There has been speculation on the names of the judges for the special courts. Justice M L Jain, Justice Prithvi Raj and Justice SS Chadha of the Delhi High Court are being mentioned.

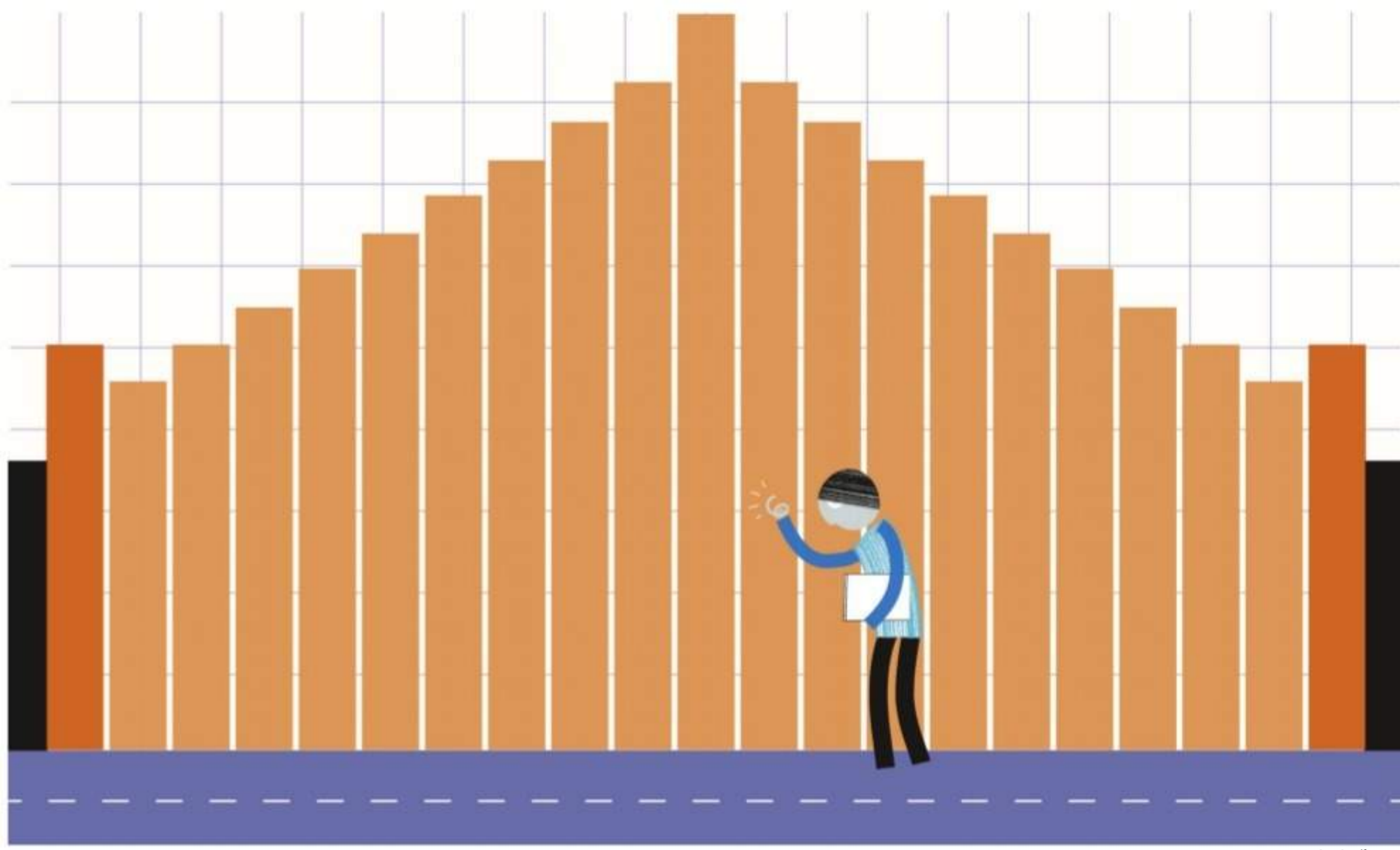
NO CONFIDENCE VOTE INDIA CONVEYED TO Morocco that it has lost

all confidence in the Moroccan ambassador in New Delhi, Abdelhaq Saadani. It has left it to the Moroccan government "to decide whether the ambassador could continue to be effective in India and contribute to the promotion of Indo-Moroccan relations". This follows the "unfortunate" controversy created when the ambassador made a statement commenting on the treatment "of Muslims in India". Saadani had in his statement talked of "inhuman attitude" towards Muslims and alleged "attempts to exterminate Muslims in India".

STATES IGNORE CENTRE THE STATES HAVE paid little attention to the

steps the Centre has suggested from time to time to stall communal incidents. This is the unanimous view of the two central teams which have submitted their reports after visiting 16 communally-prone districts in the country. The home ministry deputed its senior officers to do the job. Reports of the team-reveal that the states have preferred to go their own ways and not bothered to implement the advice the Centre has tendered either during the Janata regime or before. The districts include Meerut and Varanasi in Uttar Pradesh, Mandasaur in Madhya Pradesh, 24 Parganas in West Bengal, Nalgonda and Hyderabad in Andhra Pradesh, Arrah in Bihar and Ahmedabad in Gujarat among others.

15 THE IDEAS PAGE



C R Sasikumar

A problem of measurement

There is neither credible evidence of a jobs crisis in India, nor of its absence



SHAMIHA RAVI

MODI 2.0 PRESENTS a new window of opportunity to usher in some fundamental reforms for the Indian economy. A modern dynamic economy requires a robust statistical system to provide precise and real time estimates of several critical indicators. One of these is unemployment — which has been at the heart of prolonged acrimonious public debate in India for several years. Now is the time to move beyond the politics of unemployment to the real and pressing issue of measurement of unemployment. In 2016-17, the government of India, quite rightly so, was of the view that the existing frequency of measuring key unemployment and employment indicators was not adequate for the design of economic policies. There was a need for more timely and periodic measures — a quarterly estimate in urban areas and an annual estimate in rural areas — the “Periodic Labour Force Survey (PLFS)”. A committee of senior bureaucrats, economists and business leaders was constituted to look into this and an all-India PLFS survey was undertaken.

The results of this survey have not been officially released. However, the leaked reports of an historically high unemployment rate and the subsequent resignation of two members of the National Statistical Commission (NSC), who were involved with the PLFS, created a furore and heightened the politicisation of unemployment. The Opposition used this as an opportunity to malign the government, while the government representatives at NITI Aayog resorted to the view that the survey results have not been reviewed by experts, and therefore the report was not deemed reliable enough to be released. The truth of the matter, however, is that there is neither credible evidence of a job crisis in India, nor credible evidence of the absence of it. The problem requires a

serious effort by the government to address issues of measurement. In this essay, I will outline what the government needs to do in this regard.

First, measurement of economic indicators, for example the unemployment rate, is an apolitical issue that requires statistical expertise of the highest standards. Before the release of any figure, it is imperative to discuss, debate and deliberate the methodological issues around the measurement. For example, to measure the unemployment rate, it is practically impossible to conduct a periodic census of all citizens above 15 years. Therefore, we have to rely on the second-best option of conducting sample surveys, and the natural question is then about the size of the sample survey. The sample size critically depends on the question of interest, for example, the sample size in the US is determined “on the requirement that a difference of 0.2 percentage points in the unemployment rate for two consecutive months be statistically significant at the 0.10 level”. If the objective of the PLFS was to measure changes in unemployment from quarter-to-quarter in urban areas and year-to-year in rural areas, then we need to discuss sampling precisely to gauge these estimates. Therefore, there can be no credible discussion on changes in unemployment from one period to another in the absence of a paper that outlines in detail the underlying sampling methodology. Proprietary databases like the CMIE, which claim to estimate these time trends, have marketed themselves with a complete absence of such methodological requirements, and are hence non-credible.

Second, even if the sample size issue is addressed to minimise what statisticians call sampling errors (the sample size might not be large enough to address the question of interest), there are issues relating to non-sampling errors. This includes non-participation in the survey or refusal to answer some questions or misunderstanding of survey questions. Each of these are important issues and needs to be addressed in the methodology. For example, suppose there is a job boom in the economy and the employed overwhelmingly refuse to participate in such surveys or do not answer all questions, then it is possible for the survey to in-

We know that the nature and incidence of unemployment, for example, differs from state to state. This requires local measures of unemployment so that economic policies can be tailored depending on local conditions. For instance, unemployment is a rural phenomenon in several states, while in others it is concentrated in urban areas. The state governments will have to participate along with the central government to have comparable uniform measures of periodic unemployment.

dicating high unemployment. Therefore, non-participation is an important issue and methodological rigour requires for a survey to have transparent strategies to prevent or minimise these errors.

Third, India is a large, complex and diverse economy that is undergoing structural transformation. Hence, we are moving towards precision policy-making which requires local and real time socio-economic indicators. We know that the nature and incidence of unemployment, for example, differs from state to state. This requires local measures of unemployment so that economic policies can be tailored depending on local conditions. For instance, unemployment is a rural phenomenon in several states, while in others it is concentrated in urban areas. The state governments will have to participate along with the central government to have comparable uniform measures of periodic unemployment. This requires state governments to conduct periodic surveys on the same lines as the central government. Unfortunately, at present, several state governments do not have the capacity to conduct such regular surveys. This, however, is imperative for a large dynamic economy such as ours. Robust statistical systems will require that we begin to create such local capabilities urgently. It is time to move beyond one-size-fits-all solutions to more inclusive solutions that take into account local conditions.

In the end, one cannot help but recall eminent statistician John W Tukey’s words in 1949: “It is far easier to put out a figure than to accompany it with a wise and reasoned account of its liability to systematic and fluctuating errors. Yet if the figure is to serve as the basis of an important decision, the accompanying account may be more important than the figure itself.”

To enhance India’s statistical capabilities, we have to move beyond the politics of it and focus on measuring with precision. Timely estimates are the cornerstones of policy-making in a modern dynamic and an aspirational economy like ours.

The writer is research director, Brookings India and was member, Economic Advisory Council to the Prime Minister

WHAT THE OTHERS SAY

“Have news anchors set a good example? It depends on what happens in the future. We hope people can say “yes” when they look back someday.”

— GLOBAL TIMES, CHINA

Don’t blame the mandate

Doordarshan can hardly influence voting, people’s aspirations have changed



SWATI PARASHAR

AMARTYA SEN’S post-election analysis published in *The New York Times* and in *The Indian Express* is both puzzling and absurd. To say that the BJP used state power and machinery, including Doordarshan, to its advantage, is a very blinkered view of both history and electoral processes. During the Congress years, all we saw was Indira, Rajiv and Sonia on Doordarshan, so much so that it felt like Doordarshan belonged to the Congress party (read the Nehru-Gandhi family). I know people who are devoted to Doordarshan, who are not Narendra Modi fans, and would not have voted for Modi. On the contrary, many non-Doordarshan watchers, have, in fact, voted for Modi.

Sen also wants us to consider that it is not the election results that matter but how the victors are perceived. He says: “Turning now to the BJP, the winner, it has excellent grounds to be happy with the election results on May 23. And yet, the BJP leadership, and especially its highly talented and exceptionally ambitious top leader, Narendra Modi, have reasons to be disappointed by global reactions to the BJP victory. There has been widespread criticism in the news media across the world (from the *New York Times*, the *Washington Post*, the *Wall Street Journal*, the *Guardian*, *Observer*, *Le Monde*, *Die Zeit* and *Haaretz* to the BBC and CNN) of the ways and means of securing BJP’s victory, including instigation of hatred and intolerance of groups of Indian citizens, particularly Muslims, who have every right to be treated with respect (as under the Gandhi-Tagore understanding).” I have no idea what kind of colonial logic prompted him to say this. But, if people like him whose voices matter (or not now?) expect that foreign media perceptions should determine how people should think and vote in India, and, how political parties should act or not, then they are part of a problematic ecosystem. Decolonising the minds of public intellectuals and scholars must become a serious project.

Are there no lessons learnt and is there no introspection or sense of humility on part of such critics? The Opposition had neither concrete programmes or alternative politics, nor any charismatic leadership to offer. It was the same old caste and alliance formulas and empty slogans of secularism that they themselves do not practice anymore. The vitriol, masculinity, bigotry and Hindutva did not just come from the BJP. A sufficient dose came from all the Opposition factions. The arrogance of the Opposition parties and their supporters was palpable as they mirrored the very forces that they were contesting against. Selective outrage from liberal intellectuals never helped their cause.

Sen and others should write obituaries of liberal, progressive thoughts in India, or

even a prognosis of what went wrong and what can be fixed. After all, it is not a good idea to leave these obituaries and the re-thinking of alternative visions to the right wing think tanks. However, an emotional outburst cannot be a substitute for thoughtful election analysis.

A renowned left historian, very arrogantly, not only dismissed and disciplined some of us at a conference on populism, in Delhi last year, but also declared publicly that they had “no respect for KMMunshi or M M Malaviya”. When asked whether any introspection was undertaken by the Left, they condescendingly declared, “we have done enough and are broken”. Another Indian academic advised their cohorts on twitter, “We need to explain to people why it was important to free this country from the British. Bhakts see the freedom struggle as irrelevant — their struggle, they claim, began when the Muslims came. We can take nothing for granted any more”. There was no reflection on who constitutes the “we” and who “the people” are! “The people” have stopped listening to pontificating public figures and intellectuals a long time ago. On the contrary, they want them (public figures) to listen for a change. In that sense, we are all responsible for the growing anti-intellectualism. Privilege does not inspire reverence and awe anymore. It is no longer just aspirational.

Voting patterns and voter aspirations have become more complex and they reflect the anxieties of these times. Members of my family voted for the local Congress leader in Jharkhand, only because they wished for a government that could protect public sector enterprises. But Rahul Gandhi was busy sloganeering “chowkidar chor hai” instead of talking about policies that would matter on the ground. Another voted for AAP in Delhi only because the candidate was better, but they hoped for a Modi win. Several underprivileged people voted for the BJP, not because their “Hindu minds were hijacked” by BJP propaganda, but because the gas cylinder allowed them to work in one extra house as a domestic help and earn more money.

Muslims in the village in Bihar where my family lives, also celebrated a Modi win, as did many Adivasis in Jharkhand. We cannot understand the Modi phenomenon without a deeper dialogue with the people whose lives are directly affected by those that govern them. Our first conversations must begin in our families and with our friends, many of whom are Modi voters. It is not right to dismiss them as uncouth, intolerant and communal, just because we disagree with their views.

So, Professor Sen, if this were to ever reach you: The voters in my family or in my home states of Bihar/Jharkhand, or all over India, do not worry about what the BBC, *Haaretz* or *NYT* think about the political contenders in Indian elections. They have voted based on their own perceptions and worldviews, accepted the verdict and are moving on with their lives. With trepidation, as well as new hopes and promises.

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LETTER TO THE EDITOR

TMC’S TASKS

THIS REFERS TO the editorial, ‘What Didi does’ (IE, May 30). After his victory in the General Elections, the prime minister said that there are two classes: “Haves” and “Have nots”. Both need to be taken care of for development and growth. Mamata Banerjee needs to remember that the protests she led in 2008 paved her way to power in West Bengal and led to the move of the Tata Motors’ Nano project to Gujarat. The present PM was then the state’s chief minister. But in the run up to the elections, TMC flaunted the presence of Tatas in West Bengal. Such changes in position does not seem to have done the party any good.

Krishan Kumar Chug, New Delhi

CHECK HUawei

THIS REFERS TO the article, ‘The Huawei bogey’ (IE, May 30). India must carve an independent policy discourse as far as legitimising the Chinese telecommunications giant Huawei’s safety assurance is concerned. But the large-scale global scrutiny and backlash against Huawei’s safety, which is evident from Australia and New Zealand banning it from supplying 5G communication networks and the UK ordering an inquiry, cannot be seen as knee-jerk reactions caused by US pressure. In early April, TRAI had issued a notice which said it is the duty of the government to scrutinise Huawei. The new government must act on it.

Pranay Kumar Shome, Kolkata

LETTER OF THE WEEK AWARD

To encourage quality reader intervention, The Indian Express offers the Letter of the Week award. The letter adjudged the best for the week is published every Saturday. Letters may be e-mailed to editpage@expressindia.com or sent to The Indian Express, B-1/B, Sector 10, Noida-UP 201301. Letter writers should mention their postal address and phone number.

THE WINNER RECEIVES SELECT EXPRESS PUBLICATIONS

BREXIT TURMOIL

THIS REFERS TO the editorial, ‘A crisis called Brexit’ (IE, May 28). Theresa May who rode the Brexit tiger to 10 Downing street is finding out that the only way to dismount it is by jumping off into political oblivion. There is a lesson for Britain here: The country should not have relied on a referendum — decided by a thin majority — to ascertain the mood of public. Other mechanisms should have been explored.

Bholey Bhardwaj, Mumbai

THE Urdu PRESS

MODI’S WIN

ROZNAME RASHTRIYA SAHARA are those who regularly hurt them? Modi needs to get out of their one-sided delusion of *moahasiba* (introspection) for the last few years are a test of patience for the Opposition parties not have the stamina and courage that Narendra Modi did? This time, even the alliance failed — *jalwa nahi dikhayee*. In its editorials, *Khufiya Modi lehar* — or the “Secret Modi wave”, it says, “it (the wave) triumphed over the *moahasiba* (introspection) for the sults have only one answer, that the BJP has increased its number in areas where it was difficult to than the RSS,” it claims. The paper also says, “RSS tried to make its move, especially in West Bengal. The eral points: in UP, Yogi Aditya pushed and Nitin Gadkari supposed to have taught the Opposition a lesson once several ‘anti-Modi’ statements... the editorial opines that if the is that 2019 was just about Modi’s victory is to “survive and preserve them-stamped the victory of all NDA allies with their face, not the BJP’s, and made it clear that his success to him.”

THE OPPOSITION’S TASK is to assess where they failed to face, not the BJP’s, and made it clear that his success to him.”

ONE SINGLE PARTY

THE EDITORIAL AS a two-part editorial on the reports them, why pursue the Muslim vote? The paper says that “Muslims must be comprehensive success of the “fear of the Gujarat model” and adds that before the

opposition parties figured out their strategy, it was too late. It particularly expresses surprise at the rout of the opposition in Karnataka.

The paper writes on May 24 that “when the so-called fourth pillar of democracy — the press — the so-called independent institution set up to control elections, the Election Commission, the bureaucracy and leaders in the armed forces all pledge to make a particular party victorious, all this can shape the minds of the people.” It concludes that “it is the country’s misfortune that these elections were fought on emotion and by projecting one person as a messiah.”

On May 25, the paper writes, “while Modi has called the result a victory for democracy, the result is a call for accountability from the so-called Opposition parties”. It goes on to say that “the BJP has scored a great victory, but India’s secularism, transparency, tolerance and communal amity has been defeated.”

RESULTS PLUS

INQUILAB ON MAY 24 writes: “The 2019 results have made it clear that the Opposition has failed to make a place in the hearts of the people or win their trust. PM Modi’s magic has felled all. In a democracy, whatever people say

is the last word. And they have spoken for the NDA’s glorious return.”

Akhbar-e Mashriq on the same day has an editorial titled, “*Uti ho gayi sab tadbeerein, Himmat nahi tootne chahiye*” — all gambits to defeat Modi have failed but people must not lose heart. It calls the UP results stunning and says “it is clear that Modi will be PM till 2024”. The paper expresses “surprise” at the results in states where state governments were recently toppled but the most surprise at the West Bengal result. It says: “Mamata Banerjee must realise her party is not invincible.”

Mera Watan credits Modi’s hard work for the victory and says while the BJP and Modi worked for over three years, the Congress brought in Priyanka Gandhi at the “last minute, to lift their boat, but that did not happen”. It terms the victory as one of “Hindu consolidation”. It makes a point that Pragna Thakur and Giriraj Singh have won as Modi “who presented his own version of *deshbhakti* won”. It concludes by saying “the elections proved that *awaam-issues* (the common man’s issues) do not gain traction during elections, only *hawa-hawai* issues — or airy fairy ones”.

Compiled by Seema Chishti

What's on table for key ministries

Some existing challenges, some emerging ones for four key ministries — Finance, when an economic downturn looms large; Defence, in the wake of a strong majority won on the plank of national security; External Affairs, which leave India with a balancing act to do; and Home, with its diverse security concerns



Prime Minister Narendra Modi with his Cabinet colleagues (from left) Rajnath Singh, Amit Shah, Nitin Gadkari, and Sadananda Gowda at the swearing-in ceremony on Thursday. Renuka Puri

MINISTRY OF DEFENCE

New equipment, bigger budget key

SUSHANT SINGH
NEW DELHI, MAY 30

ONE OF the new Defence Minister's biggest challenges is of modernisation, with the armed forces struggling with vintage equipment. This was evident when the Indian Air Force got 36 Rafale fighter jets when it sought 126 aircraft; it is now down to 30 squadrons of fighter aircraft against an authorisation of 42 squadrons. The Navy, overstretched with new responsibilities, needs major accretion to its fleets. The Army has started procurement of modern rifles, and some of its arms, artillery, and air defence in particular, just cannot operate in today's environment with its current state of vintage platforms.

Need for funds

Modernisation of armed forces needs a two-pronged solution. The first is that more funds need to be allocated for defence. The defence budget had whittled down to its lowest ever levels as a percentage of the GDP at 1.4%. While India remains the second largest importer of defence equipment, it also needs to produce more military platforms indigenously. The Make in India programme and the Strategic Partnership model of the previous NDA government need to be energised and made to deliver results.

The previous NDA government had also started working on higher defence structures, tweaking the organisations to bring greater coordination between various ministries. These had increased the role of the NSA in decision making on national security and that role could be further institutionalised.

Greater integration

The restructuring of the Army, as proposed by the current Army Chief, General Bipin Rawat, would also need to be approved and pushed through by the Defence Ministry. Along with it, the integration of the three defence services and improving "jointness" in military operations will need to be pushed with greater vigour, to make the armed forces lean, mean and effective for the current challenges.

MINISTRY OF FINANCE

Investment and liquidity concerns as slowdown looms

AANCHAL MAGAZINE
NEW DELHI, MAY 30

AS THE country heads into an economic downturn, the new government's focus would be on reviving consumption demand, pushing investments and exports, and resolving the liquidity issues in the financial sector to help India get back on the 7%-plus growth trajectory in the long term.

Shadow of slowdown

Leading indicators have already started to reflect the slowdown, with a downward slide visible in the factory output measured by the Index of Industrial Production (IIP), which contracted to a 21-month low of 0.1% in March on the back of weak investment and consumption demand. For the 2018-19 financial year as a whole, IIP growth stood at 3.6%, much lower than the 4.4% recorded in the previous financial year.

Growth in corporate earnings fell to a six-quarter low of 10.7% in the January-March quarter on weakening consumer sentiment and softening commodity prices, rating agency ICRA said, citing a sample of over 300 companies.

"The signs of slowdown in domestic demand are visible both in urban and rural areas," the Federation of Indian Chambers of Commerce and Industry (FICCI) said in a statement earlier this week, while submitting pre-Budget petitions to the Finance Ministry.

GDP data for the January-March quarter, and provisional estimates for the 2018-19 fiscal are scheduled to be released on Friday, and are expected to show a loss of momentum in India's growth.

Reviving investment

The slowing consumption story and subdued growth in exports are expected to keep

the country's growth rate under pressure in the coming months. The automobile sector has been witnessing subdued growth; the passenger car segment declined 16% in April 2019. The FMCG sector, too, has been seeing a slowdown in volume growth.

Economists say India's growth story, which has gained from growth in consumption demand, has now taken a hit because demand, especially rural demand, has crumbled. Pronab Sen, Country Director for the India Programme of the International Growth Centre and former Chief Statistician of India, said cash transfers through PM-KISAN could help restore some rural demand.

The weakening demand will make investment hard to come by in the near future, Sen said. Both corporate and non-corporate investments have slowed, he said: "Everybody is concerned that corporate investment has started to weaken, but the bigger problem to my mind is non-corporate investment has been down for the last two years. Why aren't we talking about that? What do we need to get non-corporate investment? Those are actually the investments that create jobs."

Addressing liquidity issues

Apart from the revival of investment and demand, other key elements in the process of revival will be measures to resolve liquidity issues from the Reserve Bank of India, along with speeding up the bad loan resolution process under the Insolvency and Bankruptcy Code (IBC).

The IBC was the most significant financial sector reform of the Modi-I government, aimed at speedy resolution of stressed assets of more than Rs 10 lakh crore. While a recovery rate of around 43% points to early success of the law, delays in successful resolution in nearly 48% of cases has been a concern.

Banking Financial Companies sector is expected to be another priority. A number of NBFCs have stopped fresh loan disbursements, and many are on the verge of defaulting on repayments. Economists and market experts say that the revival of the NBFC sector is critical for the economy, as they account for a large part of credit disbursement in tier-II and tier-III towns.

Financial sector entities including NBFCs, mutual funds, and corporate-focused lenders have faced liquidity challenges since September last year, after the IL&FS group started defaulting on its aggregate debt of over Rs 90,000 crore. The situation has worsened over the last month after rating agencies started downgrading debt papers issued by NBFCs, weakening their ability to raise funds.

Raising tax revenues

As consumption is curtailed, tax revenues are expected to take a hit. Government expenditure after the elections will require a commensurate growth in revenue collections, an area where the government struggled in the previous financial year. Both direct tax revenue and Goods and Services Tax (GST) revenue have fallen short of the revised Budget estimates for 2018-19 by at least Rs 1 lakh crore. Going forward, meeting the already declared direct tax targets for this financial year is going to be a challenge, which could prompt the Tax Department to scale down its targets in the full Budget for 2019-20 that is expected to be presented in mid-July.

On the GST front, the focus will be more on boosting compliance and simplification than tweaking tax rates. Any major change in tax rates, or a merger of slabs, is expected to be taken up only next year, given the possibility of revenue losses. A move could be made towards including some items that are currently out of the ambit of GST, such as natural gas and aviation turbine fuel.

MINISTRY OF EXTERNAL AFFAIRS

Both opportunities and challenges

SHUBHAJIT ROY
NEW DELHI, MAY 30

AMONG the main challenges of the new External Affairs Minister will be to balance India's relationships with the United States and Iran — a dilemma that will need debate, discussion and thought. There will be several other issues to manage, both in India's neighbourhood and beyond.

NEIGHBOURHOOD: The challenge with Pakistan will be to open a window of opportunity while maintaining the official position that talks and terror cannot go together. With Bangladesh, the goal will be to build on the successes of the past five years. The new Minister will also have to invest in the relationship with Nepal and the Maldives, and in BIMSTEC as a whole, which the Prime Minister has indicated as a priority.

CHINA: There are a host of unresolved issues with Beijing, including the border dispute. The Ministry of External Affairs under its new leadership will have to coordinate with the Prime Minister's Office and other government agencies to craft a coherent strategy towards managing the relationship. While the informal summits between the PM and the Chinese President will set the course, the Foreign Minister has to fill in the crucial gaps.

US & RUSSIA: While the relationship with the US is robust, contentious issues include trade and H1B visas, besides Iran. Potential US sanctions will be a factor as India seeks to enhance its longstanding strategic partnership with Russia, especially in defence, nuclear energy and space.

MIDDLE EAST: New Delhi has reached a solid footing in its relationship with the Gulf countries as well as Israel in the last few years. Eight million Indians live and work in the Middle East, and the region is key to India's energy security. The new Minister will have the task of keeping India's relationships insulated from rivalries of the region.

MULTILATERAL GROUPINGS: As India takes up a wider global leadership role in the G-20, SCO, BRICS, RIC, India-ASEAN, India-Africa Forum, a whole range of relationships will have to be pursued, with India's core national interests on top at each of these groupings.

MINISTRY OF HOME AFFAIRS

J&K, N-E priorities; focus on pressing ahead with gains against Maoists

DEEPTIMAN TIWARI
NEW DELHI, MAY 30

ONE OF the first challenges that the new Home Minister will face is the conduct of peaceful elections in Jammu & Kashmir, which has seen unprecedented violence of late. Governor Satya Pal Malik dissolved the Assembly last November, and the Election Commission is waiting for the Home Ministry's signal to schedule elections in the state.

The challenge in J&K

Elections to the Assembly could not be held along with those to Lok Sabha because of concerns over security, and issues of logistics around the availability of forces. The Home Ministry is of the view that elections should be held after the Amarnath Yatra in July-August; they could, therefore, be scheduled in September.

However, violence in J&K generally peaks between April and October. Since the security forces killed the Hizb-ul-Mujahideen commander Burhan Wani in July 2016, the state has been caught in an endless spiral of protests and violence, with increasingly larger numbers of local youths joining militancy.

Only 16 young men had joined the ranks of militants in 2013; this number rose to 88 in 2016, and to 126 and 191 in 2017 and 2018. The government's muscular policy in Kashmir has so far not resulted in a reduction of violence.

Despite all efforts to plug the borders, infiltration from Pakistan and Pakistan-Occupied Kashmir too, has gone up. The number of terrorist infiltrators rose from 119 in 2016 to 143 in 2018. The increased infiltration was reflected in frequent encounters, in which security forces killed 244 terrorists in the Valley in 2018. The corresponding figure for 2016 was only 135.

Security forces, too, have suffered losses. More than 200 security personnel have been killed in Kashmir since January 2018, including those targeted in the February 14, 2019 Pulwama terrorist attack. In 2016, 171 security personnel had died fighting terrorists.

The Lok Sabha polls saw the lowest voter turnout in the Valley since 2002, ranging from about 2% in Shopian and Pulwama segments of Anantnag to 34% in Baramulla. Among the big tasks of the Home Ministry will be to start engagements that can initiate legitimate political processes in Kashmir, with increased participation. The Ministry has so far not gone beyond the security-related approach to a co-

hesive and comprehensive policy in Kashmir; the Centre's interlocutor Dineshwar Sharma is all but defunct, and there is no roadmap for robust political engagement on the table.

Militancy and NRC in N-E

The other priority area will be the Northeast. While the government claims to have brought violence down by 85% since the 1990s, the Naga Peace Accord is yet to be concluded four years after the signing of the framework agreement. Of late, there have been standoffs between NSCN-IM cadres and security forces; and an MLA of the regional National People's Party (NPP) was

killed by suspected NSCN militants in Arunachal Pradesh last week.

While the anti-talks faction of ULFA led by Paresh Baruah has been significantly weakened, it continues its violent activities, and Baruah remains firm on staying away from negotiations.

The controversy around the National Register for Citizens continues. The task of ensuring that no Indian citizen is excluded is huge and complicated, and the Home Ministry is yet to deliver a streamlined solution.

Consolidating LWE gains

Over the next five years, the government

will be hoping to make a final push to defeat Left Wing Extremism (LWE). Despite the intermittent attacks on security forces, the overall violence has come down, and last year, the government removed 44 districts from the list of those affected by LWE. Maoist influence in Andhra Pradesh and West Bengal has been reduced significantly, but challenges remain in Chhattisgarh, Odisha, Jharkhand, and Bihar.

The Home Ministry will focus on faster delivery of infrastructure projects such as roads and mobile phone towers. Ministry data show that in the first phase of a project aimed at improving cellphone connectivity, 2,329 towers were erected in Maoist-affected areas, including 816 in Jharkhand and 519 in Chhattisgarh. The government plans to erect another 4,072 towers in the second phase of the project.

Of the 5,422 km of roads sanctioned in the first phase, 4,544 km have already been built. Work on the second phase — 5,411 km at an estimated cost Rs 10,780 crore — will begin soon.

Maoist activities in some new districts of Kerala, Madhya Pradesh, and Andhra Pradesh, too, present a challenge to the Home Ministry.

Terrorism; pending projects

The Easter bombings in Sri Lanka show that the Islamic State could have reached close to India. Security agencies have arrested more than 100 individuals since 2014 for alleged association with the IS. In August 2018, the National Investigation Agency (NIA) busted an alleged IS module in Hyderabad, bringing to an end a relative lull in the activities of the terrorist group over a 10-month period that began towards the end of 2017. Some 20 alleged IS operatives have been arrested since then.

Over the past few years, the government has created several new divisions in the Home Ministry, including those dealing with Women's Safety, Counter-Terrorism and Counter-Radicalisation, and Cyber and Information Security. These divisions are yet to show substantive results, and need more teeth. The Cyber and Information Security Division was among the worst performers in the last financial year, managing to spend only 47% of its budget.

The Ministry will also be hoping to fully operationalise at the earliest the indefinitely-delayed Crime and Criminal Tracking Networks and Systems (CCCTNS) and the National Intelligence Grid, or NATGRID.