

# Curious case of deep discounts

It's time to look beyond vote bank and focus on ease of doing business



NOT FOR PROFIT

NIVEDITA MOOKERJI

Deep discounting, which made e-commerce famous in India and in many other parts of the world, has returned to haunt the sector. As fresh round of dialogues begins between the government and the industry on what should be the defining points in the first comprehensive e-commerce policy, there are indications that deep discounting in prices of products

sold online won't be tolerated. That may be good optics to make a point on *desi* versus *videsi* and physical trade versus online. But, nothing more than that. Even if there's a real clampdown on deep discounting by e-commerce players, what will be the definition of "deep discount"? If at all a definition is pieced together, who will monitor the cases of deep discount? When there's a dispute related to the matter, and that is bound to happen in such a competitive space, which court will handle the cases with expertise? More than anything else, what happens to fair play while an authority sits on judgement over e-commerce companies selling products cheaper than normal market rates? For instance, it will be tough to allow a bricks and mortar retailer to offer freebies and discounts while preventing an online player from doing so. It will be even more complex when a physical retailer has presence in an online marketplace and when an e-commerce company sells in

a high street store or elsewhere. With boundaries collapsing between the physical and the virtual, it may be a waste of time to draft rules that would apply to one world and not to the other. Discounts are a medium-neutral phenomenon and should stay that way. That's not all. Comparisons with other industries and sectors will show deep discounts are not just about e-commerce or retail trade. Telecom, a mature business now with private mobile telephony being around for more than 20 years already, is a case in point. After Reliance Jio's disruptive tariffs, every other telco followed that route, in the process eroding their revenue and profit. Neither the Telecom Regulatory Authority of India nor the government came out with any diktat clamping down on the deep discounts being dished out to the consumers, however damaging it may have been for the industry. And when the incumbents or the existing telecom operators complained about low tariffs by the

new player hurting their business, they didn't get much of a hearing. In e-commerce, the centrepiece of the government directive against deep discounting is foreign investment. Last December, the government had restricted flash sales and deep discounts offered by e-commerce players, something that officials are reiterating now after the diktat couldn't get translated into much action. Hitting e-commerce, most of it funded by foreign investors, with a rulebook that's illogical may upset the story of unicorns (billion dollar valuations) in the country. Indian businesses and local traders have in the past knocked on the doors of the Competition Commission of India (CCI), raising concerns over heavy discounts being offered by e-commerce players. But CCI, after studying the matter, had said the big-billion discounts (the deep discount sales offered by e-commerce players) were not a competition issue. It's a case for CCI only when a dominant player indulges in predat

tory pricing to exclude others. Share of e-commerce, irrespective of whether it's with foreign investment or otherwise, is still in single digits when it comes to percentage of the total retail pie in India. That rules out bringing e-commerce deep discounts under the CCI ambit. Even after the foreign direct investment (FDI) rule tweaks were announced last year for e-commerce, big companies including Flipkart (now owned by Walmart) and Amazon had gone about their seasonal sales offering discounts up to 75 per cent. That shouldn't change despite the Indian versus foreign rift. Domestic traders, who continue to fear adverse impact of foreign investment on their business, will raise issues such as deep discounts by e-commerce companies. It was for the same reason they had protested against FDI in multi-brand retail and that category has remained stalled for years. With e-commerce being a bigger disruption than FDI in multi-brand retail, traders' concern may have reason. But now that the Lok Sabha election is over, it's time for the government to look beyond vote bank and focus on ease of doing business — something that has been its goal for five years.

## CHINESE WHISPERS

### Stay clear of the Budget

As the Union government prepares to present the Budget, industry, which is usually vocal before the Budget, is quiet. Facing subdued sales, the automobile industry is worried about recent government regulations such as shifting to electric vehicles. Unlike every year, most chief executive officers of auto companies have neither any wish-list, nor any suggestion. Why? Because "the government will do what it has to" and the companies do not wish to "waste time watching the Budget".

### Quote misquote



On Wednesday afternoon, in his reply in the Rajya Sabha to the motion of thanks on the President's address, Prime Minister Narendra Modi (pictured) quoted an Urdu

couplet that he attributed to the 19th century poet Mirza Ghalib. Replying to Congress leader Ghulam Nabi Azad's charge that the promise of PM's *sabka vishwas* was blurred, Modi said it was Azad who suffered from a blurred vision and viewed everything from a political lens. Modi went on to recite the following couplet: "*ta umr Ghalib ye bhool karta raha, dhool chehre par thi aur aaina saaf karta raha*." Soon, several on social media, including poet Javed Akhtar pointed out that the couplet was not Ghalib's. "The *sher* (couplet) that the prime minister *sahab* has quoted in his Rajya Sabha speech is wrongly attributed to Ghalib in the social media. Actually, both the lines are not even in the proper meter," Akhtar said. That was, however, not the only "mistake" the PM made. At the beginning of his speech, as the PM took names of those members who participated in the discussion, he referred to Trinamool Congress leader Derek O'Brien as Derek "Oberoi".

### Much ado about voting

Late-night special hearing, polling amid tight security, allegations of bogus voting, attempts to influence the judges — these happened during the election to the South Indian Artists Association aka Nadigar Sangam, which represents the Tamil film industry. Representatives of this industry such as M G Ramachandran, M Karunanidhi and J Jayalalithaa have been chief minister of Tamil Nadu and, together, they have held the office for more than 30 years. A single-judge Bench of the Madras High Court once observed there was more noise over this election than the Lok Sabha or the assembly polls. More than 3,000 television and stage actors were there to elect the president, two vice-presidents, the general secretary, the treasurer and the 24-member executive committee of the 70-year-old association. Justice N Anand Venkatesh of the Madras High Court had to rush to Chennai from Vellore after the case on the election was put up for an urgent hearing. He also initiated contempt proceedings against some people for trying to influence him to delay the election. The election was held on June 23. However, the court directed the association not to announce the results until further orders.

# NHAI vs Ssangyong: A fast-track solution

In a recent ruling, the Supreme Court streamlined the arbitration awards process by emphasising the limited grounds for appeal

JYOTI MUKUL

Contractual disputes with government entities, whether public sector units (PSUs) or government bodies like the National Highways Authority of India (NHAI), often drag on because arbitration awards are challenged in the law courts. A principal reason for this is that not only do all losing parties to an arbitration file appeal in courts, but with PSUs, the option of *not* filing an appeal is generally not open for fear of corruption allegations and vigilance enquiries. With a large number of PSU contracts providing for arbitration as the mode of dispute resolution, there has been a steady increase in arbitration-related court proceedings, clogging the courts and slowing project implementation.

Last month, the Supreme Court sought to reduce this appeals overkill by setting out six grounds on which courts can appeal in arbitration cases. These criteria were based on past jurisprudence and in accordance with a 2015 amendment to the Arbitration and Conciliation Act, 1996, which had aimed to limit the number of arbitration awards that go in appeal. The apex court's May ruling came in a case involving Ssangyong Engineering and NHAI. The court observed that NHAI had unilaterally altered the contract and foisted the new terms of the contract upon Ssangyong without its consent. The arbitration award passed by a 2:1 majority had

upheld the conduct of NHAI and allowed for the alteration to the contract, but the Supreme Court rejected this approach and observed that the majority award has in fact created a new contract for the parties. "The court concluded that the majority award was contrary to the most basic and fundamental principles of justice and, therefore, liable to be set aside. It also found that the award ought to be set aside under section 34 (2) (a) (iii) as Ssangyong was not unable to present its case," explained Naresh Thacker, partner, Economic Laws Practice.

This decision was significant because, in effect, the apex court had clarified that court intervention could be done only when: (a) an award was contrary to the fundamental policy of Indian law; (b) violated basic notions of justice or morality; (c) involved a patent illegality of facts on record; (d) lack of evidence; (e) militated against fair mind or reasonableness; (d) involved error of jurisdiction, or (f) if it warrants a review of the merits of dispute.

"Although the Supreme Court has addressed the grounds to set aside an arbitral award under section 34 of the Arbitration and Conciliation Act, 1996 on several occasions, this decision exhaustively reflects on the jurisprudence pre- and post the 2015 amendment," Thacker said.

Section 34 of the Act deals with filing of application in courts for setting aside an arbitration award. The 2015 amendment added an explanation to



ILLUSTRATION BY BINAY SINHA

section 34, which stated that an award is in conflict with the public policy of India, only "if the making of the award was induced or affected by fraud or corruption" or in contravention with the fundamental policy of Indian law or in conflict with the most basic notions of morality or justice. The amendment also said an arbitral award arising out of arbitrations other than international commercial arbitrations would be set aside by the court, if the court finds that the award is vitiated by patent illegality, provided that an award will not be set aside merely on the ground of an erroneous application of the law or by re-appreciation of evidence. In Thacker's view, the Supreme Court consciously clarified that the Ssangyong award shook the conscience of the court, and the ground that an award contravenes public policy of India as it violates the "most basic notions of justice" can only be applied in "exceptional circumstances".

"The Supreme Court has forewarned that "under no circumstances can any court interfere with an arbitral award on the ground that justice has not been done" as such interference would be an entry into the merits of the dispute which is against the tenets of section 34," Thacker added. Usually in line with the pro-arbitration spirit, courts are careful while applying grounds to set aside an award. The NHAI case is a welcome exception as it sets precedent that PSUs cannot act unilaterally and to the disadvantage of parties with lower bargaining power. At the same time, since court interventions delay remedies through arbitration, Thacker says courts are wary of frivolous applications under section 34 of the Act and have even imposed costs on parties filing such applications. "When applicants have failed to make a case under section 34 of the Act, courts have dismissed applications. The intent of the courts to further speedy

resolution of disputes has come through in Ssangyong as well — it upheld the minority award instead of referring the matter for fresh arbitration." Ramesh K Vaidyanathan, managing partner, Advaya Legal pointed out that the judgement does not in any way set out a new interpretation of the grounds on which judicial review of arbitration awards can take places. It deals more with the applicability of the 2015 amendments to cases where the arbitration began before the amendment came into effect but court proceedings started later. The 2015 amendments had, in fact, minimised the grounds of challenge of arbitral awards. Under the new law, there is no scope to re-appreciate merits unless the award attracts one of the grounds mentioned in the amended section 34. "In other words, unless special circumstances exist, the courts would ordinarily uphold the arbitral award," said Vaidyanathan.

## INNOCOLUMN

# We need more business institutions, not just companies

There is an art that 'shapers of institutions' deploy compared to 'leaders of companies'



R GOPALAKRISHNAN

My father arranged a thread ceremony for me when I was 11-year-old. I felt important as I diligently followed the elders' instructions to follow the priest all the time. During the ceremony, my juvenile eyes spotted a few beads of summer sweat trickle down the rotund belly of the bare-chested priest, a bit like a skier would come down the mountain slope. The sweat tickled his belly into a quivering motion, causing him to swipe his belly in one swift movement. Despite having no sweat drops nor a belly, I mechanically repeated his action, causing great laughter all around. I wondered why my diligent action caused smirks. Something similar occurs when companies mechanically emulate successful companies. Columnist Kanika Datta wrote in *Business Standard* about how great companies seem to fall no sooner they are declared to be high and mighty by referring to Sumantra Ghosal's book some 15 years ago about India's world-class companies. There are other eponymous books about the most innovative, the most admirable and the best-led

companies. Indeed, the pink paper awards given to corporate leaders have the same effect — the awarded CEO runs into performance or governance issues soon after being recognised. Often, best practices are captured in a formulaic way, a bit like the ingredients that make a dish. By just mixing the right ingredients, a parvenu cannot prepare a tasty dish. A menu is like an art, it is also required. In companies too, the art of emergence must be deployed — it is an art that shapers of institutions deploy to create institutions rather than just companies. A recent Korn Ferry study reports that, in the view of investors, barely a fourth of Indian business leaders are ready to lead their organisations into the future. In this context, "future" does not mean forever, but for several years ahead. So, what is an institution and what do shapers do? A recent book refers to shapers as "wise advocates". (*The Wise Advocate: The Inner Voice of Strategic Leadership* by Art Kleiner, Jeffrey Schwartz, and Josie Thomson, CBS, 2019). Institutions and shapers need to be better understood, they are important for India's growth; the subject is currently a research project at SPJIMR Bharatiya Vidya Bhavan, Mumbai. Companies may adopt a system or a nature approach. In the system approach, efficiency and repeatability are prized, whereas in a nature approach, effectiveness and creativity are prized. Competent leaders seek to become efficient and predictable. Institutional shapers seek to become effective and creative. Shapers must be



leaders, but the converse is not true. Companies, business and entrepreneurship as institutions Great institutions are more than engineered processes and ingredients, they are live organisms with emergent factors at play, which, in fact, bring an institution alive. Driving a group of companies to higher levels of productivity and competitive efficiency is a valuable skill, called management. Indeed, that constitutes the basis of MBA teaching and research. Such pedagogy and practice produce competent business leaders; society needs spades of such people and rewards them handsomely. Most managers in companies endeavour to become a competent business leader. Occasionally, shapers come with a personal motivation that is dramatically different. These business folks break the mold of prevalent thinking, setting an organisation on a new trajectory. Shapers appear to operate with the "rainforest" rules, which are quite different from the "cultivated agriculture" rules. In the cultivated agriculture model, you attempt to control and guide the factors of environment to maximise efficiency and replicability. In the rainforest, you accept your envi-

ronment and from that environment, you seek effectiveness and novelty. For this article, I don't comment on both the centurions (Tata Group, HUL and Godrej Group) as well as the puppies (post 2000s startups). I consider a cohort group of companies that "grew up or dramatically reshaped" from about the mid-1980s. HDFC group, TCS, L&T are amongst the elder siblings, while Wipro, Kotak Mahindra Bank, Marico and Biocon are among the younger siblings of this cohort group. In just a few decades, these seven companies have made huge impact, maintaining a high reputation. There would be more companies, but I mention these as seven institutions for the future. In a few decades, these seven institutions have created over a million and a half direct jobs, another 20 million allied jobs and a market value of \$300 billion. Each of these institutions has been shaped by remarkable individuals. India needs more institutions and shapers for its undoubted bright future. The author is a corporate advisor and distinguished professor of IIT Kharagpur. During his career, he was a director of Tata Sons and a vice chairman of Hindustan Unilever. Email: rgopal@themindworks.me.

## LETTERS

### A win-win for the BJP

India's chances of securing the extradition of fugitive diamond merchant Mehul Choksi from Antigua has received a shot in the arm with the Caribbean nation planning to rescind his citizenship. Choksi, however, will be entitled to approach the courts there and exhaust his legal remedies before being brought to India. The extradition of the duo and liquor baron Vijay Mallya could see the Bharatiya Janata Party's stakes soar high. **N J Ravi Chander** Bengaluru

### Prudent action

This refers to "Oversight, price correction behind Nalanda's U-turn" (June 26). Nalanda Capital has been right in exiting Mindtree. Even if their decision is based on a correct assessment of the price scenario and how it is likely to move in future, this key institutional investor also seems to have realised that the fight of original promoters and minority shareholders was unreasonable, illogical and pointless. Their passionate attachment to the company perhaps made them overlook the ground reality that they didn't have a chance to keep L&T out. The accusation of acting in concert may also have been a trigger in their decision to offload the Mindtree stake. Either way, they have acted prudently. Going by its track record, L&T will in all probability add great value to the company. With synergies, Mindtree or the

merged entity should emerge as a bigger global powerhouse for IT solutions. No one will forget the pioneering work done by the founder promoters. There's a time to let go and every entrepreneur should be able to make that call rather than drag their feet.

**Krishan Kalra** Gurugram

### Conflicting interests

While auditors have an accountability to ensure that firms address non-conformances to mitigate risks of delinquency, safeguard interests of novice-investors, generate value for stakeholders and improve transparency — the buck also stops at clients to preserve market-goodwill and attain business-continuity. Proposals to develop a rule-based, intelligent and robust framework to overcome incidents of data-security breach and default-risks is a prudent step to facilitate a business culture where teething troubles are suppressed at source. The last thing that markets need is a defensive approach towards subprime-lending, lapse in information-security, redundant corporate actions and trade-malpractices. **Girish Lalwani** New Delhi

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## HAMBONE





## Repairing NBFCs

RBI can't allow liquidity crisis to lead to solvency issues for the sector

Recently released data from the Finance Industry Development Council (FIDC) delineates the extent of the slowdown in the non-banking finance companies (NBFC). According to the data, when housing finance companies were excluded, the quantity of loans sanctioned by NBFCs fell by 31 per cent year-on-year in the fourth quarter of 2018-19, between January and March of this year. This came after a 17 per cent year-on-year decline in the third quarter of the same financial year, between October and December of 2018. This was the period in which defaults by entities associated with Infrastructure Leasing and Financial Services or IL&FS, reported last September, rocked the NBFC market and severely affected investor confidence. The liquidity crunch in the sector had become a cause of concern, as the shortage of funds for NBFCs was negatively impacting the broader economy and reducing growth potential. There is little reason to believe that things have gotten better for the NBFC sector in the first quarter of 2019-20, which is now coming to a close.

A more granular analysis of the data from FIDC reveals that the biggest problem in sanctions comes in long-term lending by NBFCs, which fell 77 per cent year-on-year in the January to March quarter. This is not surprising as the question of maturity mismatch — lending long to projects while borrowing short from banks — was central to the concerns around IL&FS and other NBFCs. This has major implications for growth and employment. The smooth flow of project finance is central to ensuring that growth reaches a new and higher plateau, and that employment generation continues apace. Unskilled workers are particularly dependent upon a thriving infrastructure and construction industry. The slow-motion bank crisis caused by excessively burdened balance sheets in public sector banks had meant that NBFCs had stepped in as intermediaries for lending to infrastructure in particular. But the troubles in the sector meant that bank finance to NBFCs dried up. Mutual fund investors also soured on the sector.

Now, although banks are showing signs of recovery, they have not yet stepped up to replace NBFCs, nor have they resumed lending to NBFCs. Repayment concerns have pushed funding costs at NBFCs to multi-year highs. Spreads on top-rated five-year bonds of NBFCs have risen 70 basis points in the past year. This is why NBFCs had argued with the Reserve Bank of India (RBI) that a separate credit line was necessary. There are good reasons why the central bank was unwilling to set up such a window. Moral hazard must be avoided, and a gradual clean-up of the NBFC sector, which had expanded unsustainably, should be incentivised. Some economists have suggested there is a lack of information about NBFC health that can be remedied perhaps through an asset quality review (AQR), as was undertaken for banks. This might aid in restoring investor confidence in "good" NBFCs without opening the tap of government aid to "bad" NBFCs. While all these arguments have merit, the point to note is that the RBI should not allow the liquidity crisis to lead to solvency issues for the entire sector. To assume that there is no systemic risk and the crisis is limited to just a few bad apples can be a mistake as inter-linkages do play an important role in the financial system. What is essential is for the RBI to frame a comprehensive turnaround plan and find a solution that restores the sector to health.

## Glacier meltdown

The Himalayas are losing 8 billion tonnes of frozen water annually

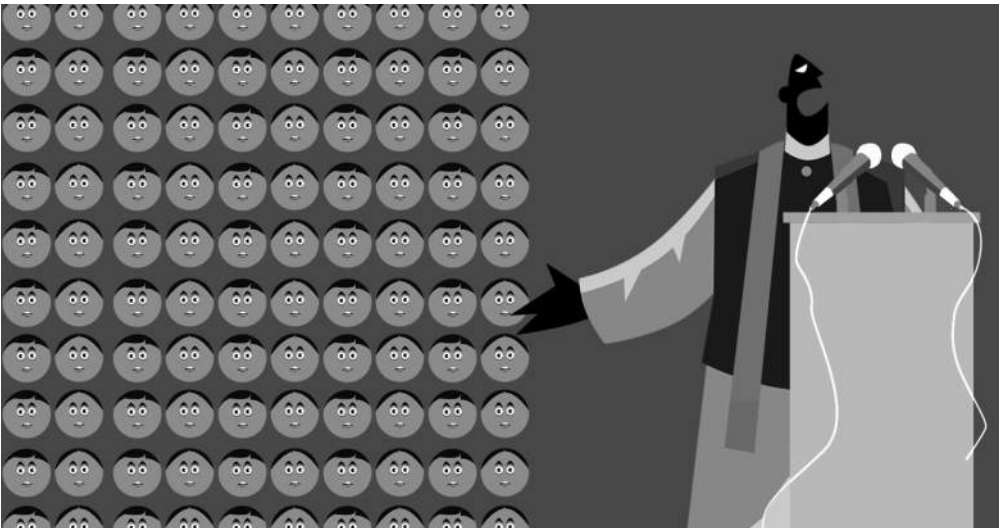
That the Himalayan glaciers are melting rapidly is known. But what is unnerving is that the rate of their erosion has doubled in recent years. This latest revelation calls for focused strategies to tackle its causes and consequences. The Himalayan snow deposits, the lifeline of the rivers emanating from this mountain chain, are critical to meet the water needs of millions of people in India and other Asian countries, particularly during the pre-monsoon summer months. A recent satellite data-based study of around 650 glaciers across the 2,000-km Himalayan range estimates that the rate of decline in the snow cover, which averaged around 22 cm between 1975 and 2000, has accelerated to over 43 cm between 2000 and 2016. Going by this reckoning, published in the journal, *Science Advances*, the Himalayas are losing nearly 8 billion tonnes of frozen water every year, which is not recompensed through snowfall.

Though this study holds global warming as the most dominant cause for snow decay, it does not discount the conclusion of an earlier study, released in February, that the rampant environmental pollution in the plains along the Himalayan hills also contributes to it. The air pollutants, such as black soot (carbon) and dust, which find their way to the glacial ice, absorb heat from the sun and hasten snow melting. The scariest takeaway from these studies is that even if the Paris agreement's goal of capping global temperature rise to 1.5 to 2 degrees Celsius above the pre-industrial levels is met — which seems unlikely — the Himalayas could still lose over a third of their ice cover by the end of this century.

Glacier meltdown of this scale has varied repercussions for the water flows in the 10 major rivers and countless rivulets and other water streams originating from these hills. The main fear is that the water flows in these channels would turn uncertain, irregular and, more so, unpredictable. In the shorter run, the increased snow melting may swell their water stocks, heightening the risk of floods. But in the longer run, with the perceptible contraction of the snow cover by around, say, the 2050s, the flows would tend to taper off, causing frequent water shortages downstream. Experts believe that the mighty rivers like the Ganga and the Brahmaputra, which get sizable water inflows from the monsoon-fed tributaries, would also witness considerable variations in water availability because the pre-monsoon flows may dwindle.

The need, therefore, is to expand the water storage capacity to hold surplus rainwater during the monsoon season. The bulk of this water now runs off wastefully to the seas, eroding precious soil in the process. Though the scope for the construction of large reservoirs is rather limited for various reasons, including land submergence and its attendant population displacement-related issues, small and medium projects can easily be taken up in large numbers. Also, thousands of old ponds, reservoirs and other water bodies, which are lying in disuse, can be revived to store water. Guiding the runoff water into the underground aquifers through rainwater harvesting structures is the best and the safest method of water preservation. This aside, the efforts to curb air pollution in areas adjoining the Himalayas also need to redouble to reduce snow melting. Otherwise, there is little hope for a water-secure future.

ILLUSTRATION: BINAY SINHA



## Elitism, populism, meritocracy...

Decoding the angst-ridden discourse of the day

Not a day passes without encountering some serious thinker venting his/her angst on this subject. It could be an editorial or a column in a newspaper, magazine or website, or an interpersonal exchange at work or a comment by a friend one is having a drink with.

Let's quickly run over the vocabulary of this angst-ridden discourse. "Khan Market Gang" (believed to have been created to describe a group of young Members of Parliament from entitled backgrounds who ate at upscale restaurants at Delhi's Khan Market during their lunch break at Parliament but now applied to anyone from an economically or socially privileged background), "Populist" (to imply that the leader concerned is a supporter of give-aways in cash or in kind to win over a large group of the not-so-privileged), "Secularist" (to describe a person who views the rights of minority religious groups as important) "Pseudo-secularist" (to mean a person who supports positions to win favour with minority religious groups), "Meritocrat" (one who believes in applying merit-based criteria to match people and positions, be it in university admissions or in promotions), "Reservationist" (one who supports applying other-than-merit based criteria to match people and positions). The list is long.

One does not have to be a scholar to deduce that all these terms are used pejoratively, i.e. if you refer to someone as a Khan Market gang member, you see yourself as being different from that person and, similarly, if you refer to someone as a member of



AJIT BALAKRISHNAN

the elite, you see yourself as not being a member of that elite.

Or, is it possible that the time has come for us to introspect whether our society, even a half-century after Independence, reserves the top spots in politics, administration and the corporate world to sons and daughters of families who have always occupied such positions? And that early life in elite English medium schools (Campion in Mumbai, DPS in Delhi...) and colleges (St Xavier's in Bombay, St Stephen's in Delhi...) in metro cities puts you in the fast lane to such top spots in life? Conversely, if you are born in and grew up in a village and attended the local non-English medium school, your chances of making it in life in India are bleak?

If this kind of name calling was just in India and that too in an election year, we could have easily turned our mind to other things by saying that people don't always mean all that they say during a heated election and once the season changes, sanity and a co-operative culture will return. After all, caring for the world at large and that too for people who are less economically well-off from you is, well, large-heartedness, and need not be pejoratively called populism. And if you see someone hang out all the time in expensive eateries, you only smile indulgently and tell yourself he is one of the idle rich, not really a member of "the elite".

Observers trying to understand the reasons for Donald Trump's victory in the 2016 US Presidential Election point out that his vote came mainly from working-class white people, both men and women,

ratio of female employees.

Any visitor to Vietnam's lively and pristine cities — also cited as a major plus factor compared with the shambolic chaos and grime of India's urban spaces — will be struck by the number of well-maintained government schools, the result of a compulsory education programme launched in 2001, eight years ahead of India's variably implemented Right to Education Act.

At a time when India's ruling regime appears determined to make Hindi the sole national language, Vietnam teaches English as its first foreign language and Chinese as one of its four second languages. In other words, the average young Vietnamese can communicate in both languages with investors from the US (their preferred investor community) and Chinese (whose economic model they emulate).

In the context of the downgrading of English in India's education curriculum, the author's frank observation about our famed multi-culturalism is worth quoting in full: "People in different states in

India speaking different languages contributes to different cultures, which makes business management a headache.... Moreover, the 14 official Indian languages [actually 22] make it almost close to impossible for Indians from different states to communicate. If they don't speak English, ...it's very unlikely that they can find ways to understand each other."

As for female participation in the workforce, the writer has not explained why it is such a critical element in an investor's decision-making. Perhaps high female participation ensures a larger labour force for gargantuan China-style factories or maybe they take it as a sign of a progressive, inclusive soci-



SWOT

KANIKA DATTA

Given India's size, the country has been ideally positioned to reap the gains. Instead, India's suitability is being sized up against far smaller Asian economies and it appears to come up short. "India or Vietnam: Who's the New China?" is the heading of an advisory written by a Chinese supply chain consultant in January on the two countries' potential as alternative investment decisions after Donald Trump unleashed his trade war. At the end of a corporate-style, bullet-pointed exposition, the author concludes that the country whose economy is a 10th of India's size was preferable. Worse, he concludes India will never be the next China in the medium term.

This is a sobering assessment as the commerce ministry reportedly prepares plans, including tax breaks, to induce companies and investors to redirect their attentions to India as a result of the trade war.

The big surprise in this paper was revelations that Vietnam's comparative superiority is not because it is, as conventionally believed, winning the traditional race to the bottom in terms of labour costs. On the contrary, Vietnam had begun to overtake India in terms of average wage rate in manufacturing in 2015. The two key reasons Vietnam scored over India are basic education levels and

particularly ones without college education, living in rural America, and their reason for voting for him was that they felt overlooked by "the establishment" and "the elite". In Britain, the surprising majority vote in the 2016 referendum wanting Britain to leave the European Union is widely seen to be also a vote against the British elite; voters expressed the view that British politicians, business leaders, and intellectuals had lost their right to control the system and that this elite had contempt for ordinary persons values and their interests. And political leaders riding on anti-elitist platforms now lead governments in Italy, Hungary, Poland, Slovenia and the Czech Republic.

Some observers see this wave of anti-elitism/pro-populism as a pushback against the ideology of globalisation that has reigned since the end of World War II, and which has created institutions like the International Monetary Fund (IMF) and the World Trade Organization. The current anti-elitist movements believe that such institutions undermine local decision-making by empowering large corporations that use these institutions to support their own corporate and financial interests to do business across borders, extract natural resources while paying minimal local taxes and so on.

In the Indian context, getting a job in one of the entities created by this globalisation mantra has meant meeting its standards of meritocracy, which means entrance tests (CAT, JEE Advanced, GRE... etc.) that we believe ensure that young people, irrespective of their social and economic background, get an equal chance to enter our top educational institutions — whether the IIMs, the IITs, the National Law schools or the public Medical colleges. We have fervently believed that such entrance processes and such public institutions would ensure that entry to the major professions of our times would be available to children from all kinds of social and economic backgrounds and not just for children whose parents are from elite backgrounds. But, increasingly, researchers are pointing out that scores in these apparently objective exams reflect the socio-economic status of the parents — both because educated and affluent parents not only ensure good quality schooling but also pay for the expensive tutorial classes that seem to have become essential to do well in such exams. Add to this that most entrance processes — whether for one of these prized national educational institutions or for a job — have an interview/group discussion which requires a degree of fluency in English that disadvantages all those who haven't had an English-medium school education.

In this context, could it be that what looks like a populist wave is really a vote to change a system, which, in the name of meritocracy, is essentially fixed to benefit a narrow minority?

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ety. Though economists have found no single explanation for India's dismally low participation of women in the workforce, the writer ascribes it to social mores: "Even though women who have received higher education and have a decent job after graduation will choose to be full-time moms as this is how the tradition works" (*sic*).

In both Vietnam and China (and indeed in most of South East Asia), it is hard to miss the proliferation of women in the workforce. At 73.21 per cent, Vietnam has an appreciably higher workforce participation rate among women over 15 years than China at 60.87. India's falling metric — from 36.7 per cent in 2005 to 26 per cent in 2018 — is unlikely to inspire confidence.

That Vietnam is already ahead in the race is clear. In Q1 of 2019, foreign investment in Vietnam rose 86.2 per cent, to \$10.8 billion (Chinese investment accounts for about half that). Where Foxconn struggled for four years just to find an optimum-sized manufacturing base to assemble Apple iPhones in India, Intel, Samsung and LG have poured money into a country that endured over 30 years of war, decimating its landscape and claiming over 3 million lives.

Now, as investors and executives relocating to that tiny country are discovering, Vietnam's ability to absorb this deluge of investment is limited. All the undesirable symptoms of economic growth are manifesting themselves: Urban traffic jams, rising real estate prices, low skill sets of Vietnamese workers relative to their Chinese counterparts, bottlenecks at ports, and a shortage of workers — Vietnam has fewer workers than China's Guangdong and cannot count on masses of migrants to make good the shortfall.

An opportunity for India? It should have been. Instead, investors are eyeing ... the Indonesian island of Batam. A free-trade zone that links Indonesia, Malaysia, Thailand and Singapore and an hour's ferry ride from Singapore, it is now the cynosure of all eyes.

poll by BritainThinks, a leading think-tank, reveals what it describes as "an astonishing lack of faith in the political system" among British voters with fewer than six per cent saying they think politicians understand them. As many as 75 per cent said that UK politics was "broken" and not fit for purpose. According to analysts, the mood has never been "more despairing". And that can be said of the prevailing mood in most democracies around the world.

*Rethinking Democracy* is the latest addition to the growing literature on the future of democracy, and though it may not have anything terribly original to say, its value lies in bringing together the various strands of the debate in one place and helping lay readers make sense of a complex crisis.

**RETHINKING DEMOCRACY**  
Edited by Andrew Gamble and Tony Wright  
Wiley, €14.99, 172 pages

## What ails democratic politics?



### BOOK REVIEW

HASAN SUROOR

There was a time when western political pundits were obsessed with the idea of the imminent death of communism, and for many it became a full-time occupation to write its obituary. And when the "God" eventually did die, we were told the future henceforth belonged to western-style liberal democracy.

Remember Francis Fukuyama's triumphal prediction that the collapse of Soviet communism was "not just ... the passing of a particular period of post-war history, but the end of history as such."

the end point of mankind's ideological evolution and the universalisation of Western liberal democracy as the final form of human government"?

Fast forward, and as American academic Alan Wolfe noted in a recent article, Mr Fukuyama's thesis "appears to have been written for another planet".

"Far from avowing the triumph of liberal democracy, in 2019 many believe we will be lucky to hold on to the dwindling number of liberal democracies we have," he wrote in *The New Republic*, echoing growing fears over the future of liberal democracy as the democratic world appears to drown in a tide of populism from America to Europe and Asia, including India.

Mr Fukuyama himself has readjusted his rose-tinted vision of democracy, claiming that his end-of-history thesis was "more of a question than an assertion". His original essay apparently had a question

mark in the title that was dropped when it was published as a book.

The book under review — a collection of essays by 11 prominent academics — leaves no room for ambiguity as to where it stands vis-a-vis the state of Western liberal democracy. The political system is facing an existential crisis, and there appears to be no obvious way out of it short of rethinking the very idea of democracy as it is conventionally understood.

"It faces challenges it seems unable to meet while authoritarian nationalists and assorted populists trade on its difficulties," write its editors Andrew Gamble of Cambridge University and Tony Wright, a former Labour MP and currently professor at University College, London.

This is a common thread that runs through the book, and though contributors come to it from different angles, the underlying consensus is that much of the world has fallen out of love with liberal