When no one wants a promotion

The appraisal system in public sector banks needs to improve

HUMAN FACTOR

SHYAMAL MAJUMDAR

A couple of days before the interviews for internal promotion of junior officers, a general manager of a public sector bank (PSB) was told some of the candidates were keen to meet him. Sensing that they want to lobby for their promotions, the GM was keen to avoid meeting them, but relented after he was told they have been waiting for a very long time.

The meetings were an eye-opener. All of them had the same request: Please do not promote us. The bank had quite a few vacancies at the next level and was keen to fill the vacancies, and all that these guys wanted was they should not be considered suitable for promotion. In other words, they wanted the GM to exercise his influence to make sure that they fail in the interviews.

The reasons for this strange request were varied: Some did not want to relocate, while others had family issues. A few others said they were near retirement and did not want additional responsibilities at the fag end of their careers. The basic theme of the discussions was the bank did not care about them when they were willing to take up bigger responsibilities and gave them the same job year after year; so what's the point in promoting them when they don't have any career ambition left? A couple of them had an interesting take: A branch manager's job was the most thankless; they won't get any support from the seniors and would be made scapegoats if a problem arose.

So why did they apply for the promotions in the first place? Almost all of them said they didn't do so voluntarily, but the bank left them with no option — either appear for the interviews or you would be transferred out of the region in the same position.

The GM says the brief meetings with the junior officers sums up everything about what has gone wrong with the human resource planning in PSBs. In most cases, the promotions are an exercise in futility. What on earth will the bank gain by promoting these reluctant junior officers to the next level if they have all been found to be inadequately skilled so far in their career? The second issue was that the bank did not initiate any development intervention to upgrade their skills.

The first problem is with the appraisal system. As the A K Khandelwal-led committee on HR in PSBs says, the appraisal system is routinely administered. Much of the appraisals and ratings have upward bias, with 80–90 per cent of the appraisees getting 'excellent' rating. This inclination of the immediate supervisors not displeasing anybody does not lend to distinguishing performers from non-performers. Further, it generally has a cascading effect leading to mediocrity at all levels. This system has been going on for years for one simple reason: The immediate supervisors have no power, they can't incentivise or punish any of their subordinates, so the general feeling is why spoil relationships by being miserly in ratings.

Besides, the promotion policy, in force for several years, has built in rigidity in the matter of minimum length of service required to be put in by an officer in a particular scale for becoming eligible for promotion to the next higher scale. For example, the panel report says earlier, it used to take as many as 17 years for an officer in Scale I to become chief manager (Scale IV) and another eight years to become general manager (Scale VII). This resulted in an extremely adverse age profile of both executives and senior officers. This changed somewhat after bank managements were given managerial autonomy by the government to relax the eligibility criteria for promotions from one scale to another and frame their own promotion policies, including fast track promotions.

Some banks have taken advantage of this, but the overall result hasn't improved much in the absence of a structured mechanism such as assessment centres for identifying potential.

A raw deal for auditors

There is a distinction between audit negligence and criminality. The government and the leaders in the auditing profession must have a clear dialogue

ASHOK MAHINDRA

The auditing "expectation gap" of what the public and other financial statement users perceive auditors' responsibilities to be and what auditors believe their responsibilities entail is getting wider and wider. This gap is further accentuated by the hard stance and attitude of the regulatory bodies. An audit cannot verify 100 per cent of all documents and balances. If the auditor were to verify 100 per cent of sales and purchase invoices, delivery challans, gate passes, production records, journal vouchers, assets, liabilities and all records of the entity and consider all management representations as unworthy, it would require an army of auditors sitting at clients endlessly, and it would not be possible to complete the audit within the timeline prescribed by law for presentation of accounts to the shareholders. Further, the cost of doing so would be prohibitive and disproportionate to the benefit that may be derived by the shareholder.

An audit cannot discover all types of fraud. The internal controls can be corrupted and circumvented through the collusive efforts of management, like in the Tri-Sure case (1985). Collusion by top management to commit fraud that usually involves sophisticated schemes, forgery, misrepresentations will be nearly impossible to detect in an audit, unless there be information from a whistle-blower or something suspicious or alarming to rouse the suspicion of the auditor.

It would be wise to focus on some of the important principles for consideration in the Tri-Sure case pointed out by Judge M L Pendse:

"The auditor is required to employ reasonable skill and care, but he is not required to begin with suspicion and to proceed in the manner of trying to detect a fraud or a lie, unless some information has reached which excites suspicion or ought to excite suspicion in a professional man of reasonable competence. An auditor's duty is to see what the state of the company's affairs actually is…but he is not required to perform the functions of a detective."

"In judging whether an auditor exercises reasonable care and skill, it would not be appropriate to proceed on matters which have subsequently transpired, but one must place oneself in the position of the auditor as when the accounts were audited and find out how the matters appeared or ought to have appeared to a man of reasonable care and skill."

The current aggressive regulatory mindset seems to strongly suggest that an audit must be conducted like a forensic investigation and smacks of the benefit of hindsight, contrary to audit practice and ratio of the Tri-Sure decision. This mindset needs to change.

The profession also needs to do its bit. Today the statutory auditors are debarred by law from providing certain identified non-audit services to their audit clients. However, the firms should go further and voluntarily restrict the provision of legally permitted non-audit services to their audit clients falling into the high-risk category. Another way to help bridge the perception gap is that audit partners should not be set any targets for internal revenues, profits and chargeable hours.

Multiple agencies probing auditors is conflicting

In the Tri-Sure case, the auditors were probed in the Bombay High Court and by ICAI. Today, multiple agencies are in some way or the other involved in probes against auditors. In the now unfolding IL&FS fraud, we already have probes against auditors by ICAI, SFIO, NFRA, SEBI and ED and there is an overlapping of jurisdiction. The multiplicity of agencies probing auditors is confusing, conflicting and to say the least scary for auditors and is indicative of regulatory overreach.

Only one regulator should be held responsible to regulate the auditors; not multiple regulators. If the newly formed NFRA (for listed companies and large unlisted companies) and ICAI (for smaller unlisted companies) are to undertake this task then the bench should comprise of those who have a clear understanding of standards. A majority of the members of NFRA should comprise of chartered accountants who are familiar with nearly 31 accounting standards, 38 standards on auditing, numerous guidelines, the leading authoritative books on auditing, negligence, liabilities of auditors and with numerous case laws dealing with fraud and the auditor.

Regulatory agencies are blurring the distinction between audit, negligence and criminal collusion

In 2018, SEBI passed an order against PwC alleging that the audit firm was hand in glove and colluded with the management of the scam-tainted Satyam and that there there had been a total abdication by the auditors of their duty to follow the minimum standards of diligence and care expected from statutory auditors that infers malafide and involment on their part. The order, continued to state that a continuous omission to check the figures of the company with the external sources can definitely lead to complicity as an inference thereof, and that accumulated and aggregated acts of gross negligence scale up to an act of commission of fraud.

According to media reports, in the IL&FS scam, SFIO has accused the auditors, DHS (Deloitte) and BSR (KPMG) of helping to conceal information and falsify accounts and alleged that they were culpable of fraud and connived and colluded with the management to conceal material information and have asked for a ban for a period of five year.

By bringing criminality into the picture, the regulatory agencies are blurring the lines between audit negligence and pushing hard for criminality arising from collusion. They appear to be laying down a new red line for levying charges of criminality against auditors based on inference and probability. This is a dangerous trend and will have serious ramifications for the auditing profession. The government and regulators need to proceed with care and caution and have good reason based on strong and conclusive evidence for levying criminal charges of collusion against auditors and not do so just by inference or probability of collusion or public pressure or media hype. There is a clear distinction between negligence and criminality.

Banning firms will be disruptive

EY has been barred from bank audits one year. PwC has been barred for two years from any audit work of listed companies. DHS (Deloitte) and BSR (KPMG) may also be debarred for five years. According to press reports, the share of DHS (Deloitte) and BSR (KPMG) network firms on M-cap of all NSE cos was 40 per cent. If they are banned in the same manner as PwC was, listed companies in India will not be left with enough good replacements and this will seriously impact the financial markets, hiring of professional accountants by such firms and the foreign investment sentiment. Bans are too disruptive.

Conclusion

The auditing profession is getting a raw deal. Hasty premature decisions to attach all properties, including lockers, bank accounts and jointly held properties of auditors without cause just does not appear right to me. In such a high-risk environment, no chartered accountant will be ready and willing to do audits. There is an urgent need for a serious dialogue between the government and the leaders in the auditing profession.

The author is a former senior p artner of A F Ferguson & Co. and assisted the defendants in the Tri-Sure case

CHINESE WHISPERS

Identity politics

Trinamool Congress Rajya Sabha member Sukhendu Sekhar Roy on Thursday demanded in the House that West Bengal be renamed *Bangla* in three languages — Bengali, English, and Hindi — in deference to Bengali identity. At a time when West Bengal Chief Minister Mamata Banerjee has raised the issue of Bengali identity as a means to counter the Bharatiya Janata Party's increasing influence in the state, Roy said the West Bengal Assembly in July last year had passed a resolution to change the state's name and it was pending with the Centre. Roy said it seemed the Centre was "not keen" to rename the state. "The word Bangla, or the territory called *Bangla*, is believed to have been derived from *Banga*, a Dravidian tribe that settled in the region 1000 BCE," Roy said. After Roy ended his speech, to the pleasant surprise of his party's MPs, Rajya Sabha Chairman M Venkaiah Naidu responded with the slogan *Joy Bangla*, or victory to Bengal.

A quote book on *swacchata*

The government has ambitious plans to celebrate the 150th birth anniversary of Mahatma Gandhi. In 2014, the prime minister launched the "Swachh Bharat" campaign on October 2, the birth anniversary of the Mahatma. Now, the Ministry of Information and Broadcasting has printed 20,000 copies of the prime minister's quotes on *swacchata*, or cleanliness. According to sources, the Jal Shakti Ministry, which comprises the ministries of drinking water and sanitation, water resources, and Ganga rejuvenation, is planning to distribute these booklets gratis. In his speeches in Parliament on the motion of thanks to the president's address earlier this week, the PM appealed for taking forward the water conservation and cleanliness campaigns. His "Mann ki Baat" radio broadcast this Sunday is likely to touch upon some of these issues.

PUBG diplomacy

News of the continuing love affair between a significant number of young, urban Indians and the hit mobile game PUBG has reached other countries. While parents and policymakers continue to raise hell about the negative impacts of the violent game, faraway Taiwan — a hub for mobile gaming — has used it as a peg to promote economic ties. On Wednesday, the country's top official in New Delhi, Representative Ambassador Tien Chung-Kwang, told a large gathering of youths that Indians were instinctively good at it. Taiwan is promoting both its gaming software and hardware in the country and a Taiwanese mobile gaming rig is set to begin its 60-day journey to small towns in India. Good hand-eye coordination and a fast-paced culture are important for national development as well as good gaming, Kwang advised youngsters. "I hope you keep on winning," he said.

INSIGHT

Can Facebook's Libra convince users?

The key to getting the consumers and merchants to use the digital currency will be incentives

PAUL VIGNA

Facebook Inc has big plans to remake the financial system with its cryptocurrency-based payments network. First, it has to get people to use it.

The social-media giant's plan for Libra — the digital currency it is launching with a few dozen partners including Visa Inc, MastercardInc, PayPal Holdings Inc and Uber Technologies Inc — is the most ambitious yet to get consumers comfortable with the technology that underpins bitcoin. Facebook's ultimate goal is for consumers to use Libra to pay their bills, buy things and send money to family members abroad, among other everyday financial transactions.

Facebook has a built-in advantage because of its massive reach; around one-third of the world's people visit the site monthly. But persuading them to change their habits and adopt a brand-new technology could be a tough slog. Privacy concerns also could hinder adoption of the new currency, though Facebook has said it won't mingle Libra users' social and financial data.

"From a user perspective, I don't see why myself or any of us would need to switch," said R A Farrokhnia, an economics professor at Columbia Business School.

Bitcoin is a case in point. Its pseudonymous creator, Satoshi Nakamoto, pitched the original cryptocurrency to the world a decade ago as a way for people to exchange value directly, without the intervention of banks or other middlemen. Yet it has failed to catch on as a payments platform.

Facebook's toughest sell will be in the developed countries where established payment options such as cash and credit cards remain king, and in places like China, where mobile-payments networks dominate the market. Consumers in countries with limited access to banking services may be quicker to adopt the new currency.

The key will be incentives. Fiat currencies work for a simple reason: Governments decree that their citizens must use and accept them. Digital currencies such as bitcoin and Libra without ready-made communities have to give consumers a reason to use them.

WSJ SPECIAL

The founding members of the Libra Association, the Geneva-based not-for-profit that will govern the currency, will be tasked with designing and spreading user and merchant incentives, which could include discounts.

Libra's appeal, at least in the beginning, likely will depend on how many merchants and service providers sign up to accept it, said Dante Disparte, head of policy and communications for the Libra Association. It also needs to work like the established financial networks that consumers are accustomed to using, he said.

Libra aims "to make the transfer of currency more efficient than the alternatives," Disparte said.

Bitcoin's development wouldn't have been possible without incentives. The miners that provide the computing power to maintain and secure the network upon which it exists get a shot at winning a competition for newly created bitcoin.

"That was Satoshi's brilliance," said Dan Held, a bitcoin investor and entrepreneur. "It wasn't even the code. It's that the code aligned incentives among participants."

Still, bitcoin has struggled to grow beyond its core base of users and aficionados because of technical limitations. Libra won't carry the force of law, and it will have little investment value. It is being designed as what is known as a stablecoin, pegged to the value of a basket of fiat currencies that will shield it from the big swings typical of bitcoin and its descendants.

Thus stability and cost — Libra user fees are expected to be minimal — are likely to be its biggest draws, said Eswar Prasad, an economics professor at Cornell University.

But trust could be a stumbling block, he said. The question of Libra's stability will be tied to Facebook's reputation, at least in its early years.

Facebook still has a "reasonable amount of trust among its users," despite concerns about its privacy practices, Prasad said. But it is competing with the central banks that issue hard currency, he said, and that could be a difficult fight to win.

"For all of Facebook's wealth and domination of the social-media space, it is difficult to see its currency becoming a durable and significant store of value," Prasad said.

Source: The Wall Street Journal

LETTERS

Save the NBFCs

This refers to the editorial "Repairing NBFCs" (June 27). Since the shadow banks are also playing a key role as drivers of economic growth, it is imperative to prevent and save these banks from slipping into insolvency. It is essential to recognise non-banking financial corporations (NBFCs) that need support from the regulator and the government to initiate corrective action. An asset quality review of the crisis-ridden NBFCs will divulge its real financial health and based on that the banking regulator must place the weak NBFCs under corrective action as is in vogue in the case of banks. The funding extended by the NBFCs to long-gestation projects, without matching the availability of long-term resources must be refinanced by the strong banks.

The NBFCs must be restricted from resourcing short-term funding from financial institutions to roll over the resources to match asset-liabilities to ensure a healthy balance sheet. They must refrain from issuing long term loans to avoid lack of cash surplus to meet the repayments. Investors lost huge wealth because of the NBFCs imprudent business and it caused a sharp decline in the market values of the script of many NBFCs. It is paramount to reinvigorate the shadow banking sector to regain the confidence of the market. The crisis, if continues unaddressed, will negatively impact the overall growth of the economy.

VSK Pillai Kottayam

PM's speech

In his reply to the Opposition in both Houses, Prime Minister Narendra Modi made some useful observations that the Opposition, particularly the Congress party, should note. He criticised them for finding fault in each and every decision of his government. A good Opposition must highlight some positive points in a government and then highlight the negatives.

Secondly, he suggested that the Opposition should self-analyse their failures rather than criticise the electronic voting machines. It is time for the Congress party to devise a strategy to win back its popularity by creating and sharing a vision to meet the aspirations of the young India.

Lastly, while he suggested exemplary punishment for those guilty of lynching in Jharkhand, he should ensure that such incidents are not encouraged at least in the states run by his party.

Y G Chouksey Pune

Unfair opinion on India

This refers to "India's China gap" (June 27). The opinion of the advisory mentioned in the article is governed by skepticism. His thinking is instead governed by uncertainty of post election Indian economic policy. Red tape, nepotism and corruption are easy explanations for an escape route for investors as these are not restricted to India. India is also going in for a liberalised trade policy. The current global scenario has to be considered in this regard. Presently, it has created investor uncertainty in view of a trade stand off between the US and China and the prevailing friction between the US and Iran.

The possibility of intensification of the oil crisis in case of a conflict in West Asia will hit industry in India. However, this is not a permanent feature. Investors are thus temporarily hesitant in this regard as they expect quick return on capital. Coming to Vietnam, despite its strategic location on the South China Sea, it will not have the capacity to absorb flight of capital from China, and simultaneously attract continuous long term investment from Japan and the Far East. However, India though geographically closer to China has a volatile political relationship with the latter. To state India will never be the next China in the medium term is an exaggeration and part of a wavering US commercial policy that the advisory has ignored.

The Indian economy is more capitalist oriented and invites foreign investment into the same. We are however adopting a narrow minded approach towards language. Communication is an important requirement for trade and commerce and providing secondary status to English will harm both our national and international economic image. Ultimately, it is the quality, variety and talent of the workforce that should gain preference for a growing economy There are also growing instances of self employment and hence the question of inferiority and superiority does not arise. Finally greater iberalisation in trade policy followed by superior infrastructure for global connectivity is essential to invite further investment and enhance our international image .

C Gopinath Nair Kochi

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HAMBONE

Business Standard
Volume XXIII Number 226
MUMBAI | FRIDAY, 28 JUNE 2019

Better safe than sorry

Sebi's decisions will help protect mutual fund unitholders

Investor protection was a key discussion point for the Securities and Exchange Board of India (Sebi) at its board meeting on Thursday. This is evident from the slew of changes that the regulator announced in mutual fund regulations in the wake of the liquidity crisis, which has affected several schemes. In the case of Infrastructure Leasing & Financial Services and Dewan Housing Finance Corporation, the downgrades in the ratings of their debt resulted in fund houses not finding an exit without a sizeable loss. Several fund houses entered into standstill agreements with promoters of Essel group and Anil Ambani group. Under the agreement, mutual funds, which had bought debt securities of privately-held firms with listed shares as collateral, would not sell the shares till a particular date. Due to the standstill in the case of Essel group papers, a few close-ended schemes were not able to pay the entire proceeds to unitholders at maturity.

Under the new rules, liquid schemes will now have to maintain at least 20 per cent in liquid assets including cash, government securities (g-secs), treasury bills, and repo on g-secs. Their sectoral investment cap has been cut from 25 per cent to 20 per cent, and the additional exposure to housing finance companies stands reduced from 15 per cent to 10 per cent. Valuation of papers can no longer be done on amortisation but on a mark-to-market basis. It has also restricted investments of a scheme in debt and money market instruments having credit enhancements of a particular group to 10 per cent and 5 per cent, respectively. In mutual funds' investments in debt securities having credit enhancements backed by equities, Sebi has raised the security cover to at least four times. It has also disallowed the use of a fund house's own trades for valuation in case of inter-scheme transfer.

On the equity side, the new rules say all fresh investments in shares by mutual fund schemes will be made only in listed or to- be-listed shares. Sebi has also tightened the screws on loan against shares, which has come to haunt lenders, including the mutual fund industry in some recent cases. It has expanded the definition of encumbrance and instructed promoters to disclose separately detailed reasons for encumbrance, when it crosses 20 per cent of the company's total share capital or 50 per cent of the promoters' holdings, which must be disclosed on the stock exchanges.

It's clear that both corporate and retail investors will see their returns from debt funds come down and promoters are likely to find it tough to raise money as refinancing will become tougher. But it's better to be safe than sorry when retail investors are involved. With some key loopholes plugged, Sebi's new proposals ensure that mutual funds do not step out of line and go a reasonable distance in protecting the investor. After all, mutual funds are not banks and their job is to invest on behalf of their unitholders. The Sebi chief is right in saying that the regulator does not recognise standstill agreements between fund houses and defaulting promoters, a practice that needed to be stopped.

Flighty decision

Reducing the ambit of AERA defies logic

The Cabinet decision earlier this week to shrink the ambit of the 11-year-old Airport Economic Regulatory Authority (AERA) by raising the passenger traffic threshold is an ill-considered move when seen against the expansion of airport privatisation. According to the Cabinet proposal, the AERA Act, 2008, will be amended so that the tariff-setting regulator will be responsible for airports with annual passenger traffic over 1.5 million; all other airports with passenger traffic below that cut-off will be administered by the civil aviation ministry. In one stroke, this takes 17 airports outside the AERA's purview, leaving it to administer 13.

The government's official explanation for this decision is to keep a lid on airport charges (parking and landing fees, ground-handling services, and so on). It is true that airlines routinely complain that the model adopted by AERA, which was set up as part of the government's airport public-private partnership plan, sets charges far too high. But it is unclear why the government should consider AERA fit to regulate one set of airports and not another. Besides, AERA has intervened to lower tariffs in the past: For instance, it scrapped the much-maligned User Development Fee for GMR-promoted Hyderabad International Airport in 2016.

It is significant perhaps that this Cabinet decision marks the third attempt to introduce this dual regulatory structure for airports — a Bill to this effect was introduced in Parliament in 2018 but failed to pass both the monsoon and winter sessions. The latest amendment, officials say, will enable the government to award bids after setting tariffs. But this is not the model that was followed by the National Democratic Alliance government in the last few months of its earlier tenure when it invited private sector bids to upgrade six smaller airports. These bids, it should be noted, marked the first major expansion of airport PPPs under the Modi government. The bidding terms, however, appeared to violate the AERA Act because they stipulated an evaluation on the basis of tariffs and passenger charges.

One business group won all the bids — for the airports in Ahmedabad, Thiruvananthapuram, Lucknow, Mangaluru, Guwahati, and Jaipur. The anomaly in the situation flows from several facts. First, these six privately-run airports will now come under the purview of the political executive rather than an independent regulator. Second, the bids were evaluated on the basis of the highest fee the bidder would pay the Airports Authority of India, the concessionaire. How, then, will the civil aviation ministry ensure lower tariff charges? Third, it is worth noting that AERA was set up to ensure fair play in tariffs because of the inherently monopolistic nature of the airports business (there is usually just one per city). Fourth, with respect to the six airports, several government departments had pointed out that a single bidder precludes the possibility of comparing competitive tariffs across operators, which in themselves would ensure optimum outcomes for users. The government needs to explain why it thinks the civil aviation ministry would be in a stronger position to deliver superior tariff decisions for smaller airports than a specialised body set up for the purpose.

ILLUSTRATION: BINAY SINHA

Pakistan, terror funds and Kashmir

Global sanctions against Pakistan for not doing enough to curb terror financing will not deliver any relief to India

REPLY TO ALL

AAKAR PATEL

On June 21, the Financial Action Task Force (FATF) listed Pakistan among the "jurisdictions with strategic deficiencies" in addressing money laundering and financing of terrorism. The others were Bahamas, Botswana, Cambodia, Ethiopia, Ghana, Panama, Sri Lanka, Syria, Trinidad and Tobago, Tunisia and Yemen. The FATF, headquartered in Paris, was founded three decades ago to look at money laundering, and after the 9/11 attacks also began looking at terror financing.

The strategic deficiencies observed by the FATF are mostly concerned with Pakistan's ability to implement an action plan it has itself put together. Most of this has to do with the transfer of money, a problem that is regional and cultural and not specific to Pakistan. India's government put its economy through pain in 2016-17 because the problem of black money was thought to be unaddressable through conventional means. The FATF says that Pakistan should continue "demonstrating that authorities are identifying cash couriers and enforcing controls on illicit movement of currency and understanding the risk of cash couriers being used for terror financing." The cash courier is a part of the networks that operate outside the usual channels in South Asia, including for the financing of the diamond trade. It will not be easy for Pakistan or India to eliminate such entrenched systems.

However, another deadline for Pakistan to complete its action plan has been set for October. In case it finds insufficient progress, the FATF has said it will decide next steps. India's media and government are naturally keen that Pakistan be put by the FATF on the list of non-cooperative countries and face sanctions.

The question for us is whether Pakistan is at all acting against terrorism and if so what the indicators are to suggest that it is. Pakistan has had two major shifts in its strategy with respect to armed groups and terrorism. The first was after the death of Gen Zia ul Haq in 1988. The incoming president, a bureaucrat-hawk named Ghulam Ishaq Khan, bullied the young Benazir Bhutto (who became prime minister at the age of 35) and kept control over strategic affairs. One of the things the Pakistani army wanted was to switch its front from west to east. The Soviet occupation of Afghanistan was ending at the same time as unrest in Kashmir was beginning. For a period of around seven years, Kashmir would be under governor's rule because democracy was too dangerous for Delhi. The timing was perfect to take the jihad from Afghanistan to Kashmir.

Of the Afghan resistance groups that were funded by the Americans and Saudis through the ISI, the Pakistani favourite was Gulbuddin Hekmatyar's Hizb-e-Islami. Not particularly effective in battle, this was a modernist and urban organisation with thinking similar to Maududi's Jamaat-e-Islami.

The Jamaat in Kashmir, headed by Syed Ali Shah Geelani and its militant group the Hizbul Mujahideen, were therefore preferred by the ISI as their agents.

The ineffectiveness in battle of this form of thinking led to dependence on other groups. The two main ones were Deobandi (Jaish e Muhammad, with its roots in a masjid in Karachi) and Salafi (Lashkar e Taiyyaba, from Punjab). The active promotion of these groups and those associated with their ideologies had a fallout on Pakistan: The killing of Shias, seen as heretics. Over 600 Pakistani Shias were killed in 2003 as the state was unable to promote religious violence without setting alight sectarian hatred.

After 9/11, and particularly after the attack on the Indian Parliament, president Pervez Musharraf acted against the Deobandi and Salafi groups. This was the second major shift. The effect was immediate. In India, fatalities from terrorist and related violence collapsed in Kashmir. It peaked with 4,000 deaths in 2001, then dropped to 3,000 in 2002, then 2,000 in 2003, then 1,000 in 2004, then 500 in 2008 and 300 in 2009. Meaning less than 10 per cent of the violence seen at peaks. It had remained stable at that figure and, in fact, had fallen further under Manmohan Singh, though it is now going back up again. Last year, the 450 fatalities were the highest in 12 years.

India has fenced the LoC and the J&K authorities and police believe that exfiltration and infiltration have become very difficult. Meaning that Pakistan's role is limited and locals are unable to cross over to receive training. It is essentially those Kashmiris who are motivated enough to fight against the Indian state who are keeping the army occupied.

The fallout of this action against groups it nurtured was felt immediately in Pakistan. The violence that they had exported all these decades began showing its teeth at home. Terrorism related fatalities in all of Pakistan were 166 in 2000. When Musharraf tried to shut them down, terror exploded in Pakistan's cities. Fatalities went from 900 in 2004 to 1,400 in 2006, to 3,000 in 2007, and 6,000 in 2008. They peaked at 11,000 in 2009, a year after Musharraf left. Since then they have been in decline, falling to 7,000 in 2010, 6,000 in 2011, 5,000 in 2013, 3,000 in 2015, 1,000 in 2016 and 600 last year. This year, 2019, will be the most peaceful year in Pakistan in almost two decades.

India's governments have always told their people all terrorism is the product of Pakistani mischief. If we believe that Pakistan is responsible for violence going up, we have to accept that it is also responsible for violence going down. This we have not been willing to do. Of course, the fact is that today the violence in Kashmir is almost entirely local. It is the product of Indian policies over decades, the Indian media's recent hatred of Kashmiris and our absolute refusal to consider with sympathy their human rights.

Even if Pakistan faces sanctions after October and is punished for its many mistakes over the decades, this will not deliver any relief to India on the matter of terrorism, other than the satisfaction that the enemy has been humiliated.

India at the G-20

HARSH V PANT

This year's G-20 summit is being held at a time of grave global distress. Multiple fault-lines are threatening to derail the global order and there is no leadership around the world that seems capable of rising up to the challenges of our times. Donald Trump is busy being Trump, threatening to rip up global frameworks without offering any real alternative. The European Union is coming to terms with its own dysfunctionality at a time when it is being challenged from within and without. The United Kingdom is so mired in a political mess of its own making that it is unclear if it can even think of anything beyond the next leadership contests for the post of prime minister. China is facing an economic crisis which, even with all the centralisation of power in Xi Jinping, it is finding it difficult to manage. And Russia has no larger interest than challenging the US and the West at every possible platform. In more ways than one, India is well-positioned to make its presence felt.

As leaders of G-20 meet in Osaka, there is a sense of bewilderment about the real aims of this platform and if at all it has any relevance in this day and age. Today, the G-20 perhaps faces its most serious challenge since it first met in November 2008 to tackle the financial crisis with a primary mandate of preventing future international financial crises. As trade tensions escalate among major powers and global growth decelerates, the G-20 countries will find it hard to present a common framework to tackle global challenges, something that they were able to do after the 2008 financial crisis when they not only consolidated IMF's budget but also prevented protectionist tendencies from taking root.

Today, the world looks much different. More than anything else, the international community would be watching the meeting between US President Donald Trump and Chinese leader Xi Jinping on the sidelines, and attention will be focused on whether Xi and Trump can strike a deal to end the ongoing trade war. It seems that Washington and Beijing have decided to resume their talks to resolve the trade dispute. Whatever the outcome, tensions between the US and China are unlikely to get resolved anytime soon with the structural shifts shaping the trajectory of this bilateral relationship.

For Trump, trade is going to be a key issue area as he starts his re-election campaign. And not surprisingly, ahead of his meeting with Indian Prime Minister Narendra Modi on the sidelines of the G-20 Summit, Trump decided to hit out at India, suggesting that India's tariffs on US products were "unacceptable" and they must be withdrawn. This despite the fact that US Secretary of State Mike Pompeo, who was in New Delhi this week, sought to play down trade tension with India by promising a renewed focus on negotiating better ties. Modi's engagement with Trump would therefore require his diplomatic skills at his best.

The last G-20 summit saw New Delhi participating in two trilaterals — one with Japan and the US on maritime cooperation and one with Russia and China on trade. It reflected a new confidence on the part of New Delhi to pursue issue based alignments. But as tensions rise between major powers and the Trump administration remains adamant on trade, India's ability to navigate this tricky terrain will be severely tested.

Modi has gone into the G-20 summit with an expansive agenda in mind to focus on "discussing the major challenges and opportunities faced by our world today with other global leaders" as "women empowerment, issues related to digitalisation and artificial intelligence, and progress in achieving SDGs and in our common efforts to address major global challenges such as terrorism and climate change form the rich agenda of the Summit." He is also viewing this G-20 summit as an important stepping stone for India to host the G-20 summit in 2022, on the 75th anniversary of India's independence. So clearly, Modi has great expectations from the G-20. Whether the G-20 in Osaka will be able to deliver still remains an open question.

Learning to be vulnerable

BOOK REVIEW

UTTARAN DAS GUPTA

Early in Amitav Ghosh's new novel *Gun Island*, the first-person narrator Dinanath Datta, a Brooklyn-based dealer in rare books, suffers a disappointment in love and is advised by his therapist to not be vulnerable. "Don't set yourself up to fail, yet again," he is told. A strange turn of events, however, sets him on an extraordinary journey during which he is compelled to be vulnerable again — and he rediscovers love. This process, in a way, is also a critique of western concepts of rationality and realistic narrative that Mr Ghosh seems to eschew in this book, discovering a new idiom that allows for new possibilities.

Readers of Mr Ghosh's novels will find many of the themes that have preoccupied him in his four-decade-long career, such as history and anthropology, the Sundarbans and the Gangetic dolphins, voyages and myths, climate change and the conflict between nature and men driven by profit. A few characters from his earlier novel, *The Hungry Tide*, reappear in this one: Kanai, Neelima, Piya. One narrative strain of *Gun Island* is woven around Manasa Devi, the Hindu goddess of snakes and the subject of medieval Bengali poems, *Manasa Mangal*. The cult of the goddess seems, at least to me, to hark even further back in Mr Ghosh's oeuvre in *The Calcutta Chromosome*. But, though the themes may be familiar, they are given a fresh life in the book under review.

Another theme that reappears is climate change, which Mr Ghosh had written about in his previous non-fiction book, *The Great Derangement*, where he had claimed that this undeniable fact of our times, an existential threat was hardly ever written about in literary fiction. It was usually the subject of genre fiction. In *Gun Island*, climate change plays a significant part in the lives of all the characters, providing them with motivation for many of their actions. A quick scroll through Mr Ghosh's timeline on Twitter will reveal how closely he follows global developments about climate action, such as protests in London earlier this year by Extinction Rebellion.

Related to the theme of climate change is that of global migration, which Mr Ghosh has written about in his celebrated *Ibis* trilogy and returns to in this book, albeit in a more contemporary context. The arrival of armies of immigrants in Europe has led to cataclysmic changes in the political geography, leading to the rebirth of right-wing politics and nationalism, and even Brexit. While the focus in the mainstream media as well as in cinema and art has been on African and West Asian migrants in Europe, Mr Ghosh's novel deals with South Asians, especially Bengalis, who are one of the largest groups of political, social and climate refugees. As in almost all his novels, Mr Ghosh opens up new areas of discussion and debate by focussing on this aspect.

Readers of Mr Ghosh's novels will find many of the themes that have preoccupied him in his four-decade-long career, such as history and anthropology, the Sundarbans and the Gangetic dolphins, climate change and the conflict between nature and men driven by profit, in this book

Some of the incidents in the novel are as coincidental as freak weather. For instance, a call from an Italian mentor makes Datta embark on a journey; someone gets bitten by a snake causing him to hallucinate; there spiders jumping out and trying to communicate something, or not; a block of concrete falling off a building leading to a fortuitous meeting. Some of these coincidences are necessary for every narrative, but *Gun Island* seems to have too many of them. One would not have minded a plot where coincidence was not the primary mover. The envelope is, in fact, pushed so far that a climactic crisis is averted by a "miracle". To be fair, it is not a miracle such as in Graham Greene's *The End of the Affair* (1951); Mr Ghosh provides scientific reasons for everything that occurs, but one is still left feeling that maybe something more conventional would have been just as satisfactory.

But perhaps this is essential to challenge the rigid framework of the Western realist novel. Life is often governed not by reason but by the lack of it, and significant events in our personal or global histories can often be a result of happy or unhappy coincidences. To take full advantage of possibilities created by these coincidences, one must learn to be vulnerable — like Datta, the protagonist of *Gun Island*. In doing so, one can often find new idiom for the novel, as Mr Ghosh does. His readers, like me, will remain curious about other experiments in his future work.

GUN ISLAND
Amitav Ghosh
Penguin
Pages: 289
Price: ₹699