Opinion

TUESDAY, JUNE 4, 2019

ON BORIS JOHNSON

President of the USA, Donald Trump

I think Boris would do a very good job. I think he would be excellent. I like him. I have always liked him. I don't know that he is going to be chosen, but I think he is a very good guy, a very talented person.

India needs education, not Hindi chauvenism

Even progressive proposals of the education policy got eclipsed by the proposal to impose Hindi in non-Hindi speaking states

IT IS JUST AS WELL that the government has junked a proposal in the K Kasturirangan education panel's report—the official line is that this was a 'draft', not the final policy—that suggested reviving the three-language formula with a focus on mandatory Hindi in non-Hindi-speaking states. Protests, spearheaded by Tamil Nadu, against the "imposition of Hindi", could have quickly spiralled into the kind of radical anti-Hindi agitation that rocked Tamil Nadu intermittently between the late 1930s to 1986 after the education policy first proposed this; not surprising then that two Tamil ministers in the government—Nirmala Sitharaman and S Jaishankar—tweeted on this being just a proposal on Monday, not the policy when there was a furore over the proposal. Indeed, given the many challenges India's education sector faces, it is not clear how this proposal even came into play. What makes this even more unfortunate is that, while the first Narendra Modi-government spoke of sweeping higher-education reforms—including scrapping UGC and AICTE—this hasn't really got translated into action.

That said, the Kasturirangan panel has some interesting suggestions, though it is not clear that all of them are either practical or even implementable. Given the perennial problem relating to both rampant cheating in some school boards, as well as the uneven standards, asking the National Testing Agency to conduct separate all-India examinations for entrance to universities is a good idea; whether the political class will allow this to happen is open to question. Related to this, allowing students to give their secondary examinations in phases rather than in one shot—Chemistry and Physics in one semester, Maths in the other—also gives a much-desired flexibility; as does allowing students multiple entry and exit points in their undergraduate education. The idea of 'teaching' universities being distinct from 'R&D' ones is a very good idea, but quite unrealistic in a shortage situation. When India has an acute shortage of quality universities, which politician will allow an existing university to scale back the number of students it admits on grounds of wanting to focus exclusively on research? Also, if a university is going to want to reduce the intake of students, will the government-grant system still provide it the same level of funding? When, for instance, the last Modi government was talking of scrapping UGC, this was to be replaced by an independent grant-giving body; but when the policy finally got formulated, the grant-powers remained mostly with the government-run UGC. Allowing various colleges to grant their own degrees sounds problematic in India where most feel university certification is better—indeed, till recently, even the prestigious IIMs couldn't offer 'degrees' but gave 'diplomas'—but this is sensible since, sooner rather than later, as in most developed countries, employers will be able to distinguish between good, bad and dubious degrees.

The recommendations that need to be examined with a lot more caution are the incorporation of Indian knowledge systems into all levels of education; as long as this focus is on Charaka, Patanjali and Aryabhatta, and not on furthering propaganda (interstellar vehicles and head transplants in ancient India), the effort would be indeed merited. Like earlier panels, the Kasturirangan panel also talks of having separate regulators for different aspects of higher education—one for standards setting, another for funding, and a third for accreditation and another for regulation. Given how the panel is quite forward-looking in its recommendations—save for the unfortunate one on the compulsory use of Hindi—it is odd that it wanted to regulate the fees set by private schools; politicians plugging this makes sense given its appeal to voters, but how do eminent scientists and educationists fall in the same trap?

FY 20 rebound not certain

In a business-as-usual scenario, GDP growth may not be higher

IT IS NOT SURPRISING GDP grew at just 6.8% in FY19. The poor corporate results in the first two quarters had made it amply clear that the economy was in trouble, with the clinching evidence coming during the festive season—one of the dullest ever. Even as the government continued to spend, private consumption was slowing, as the high frequency data showed. Private consumption in the March quarter decelerated to 7.2% year-on-year (y-o-y), the slowest in four quarters, and, together with a sharp moderation in gross fixed capital formation to just 3.6% y-o-y, dragged down the GDP for Q4 FY19 to an embarrassing 5.8% y-o-y.

Looking ahead, there are couple of reasons why the growth momentum will stay lethargic for another six months. First, private sector investments are unlikely to pick up until there are clear signs that demand will revive and until credit becomes a lot more affordable. Right now, real interest rates are still very high and corporate cash flows aren't big enough to fund new ventures. Again, demand won't rebound meaningfully until many more new and well-paying jobs are created and until incomes rise fast enough for consumers to be able to spend more. Apart from the government sector, it is not clear where exactly the job opportunities are going to be—other than a few spaces such as IT, e-commerce and financial services. Therefore, it is hard to see demand rebounding simply on the back of more liquidity and lower interest rates; disposable incomes need to grow, too. Government expenditure in FY19, at ₹21.35 lakh crore, was up 13.2%, but, as a share of GDP, rose just 20 basis points. So, unless there is a much bigger jump in spends, the economy can get only a limited push. Central government expenditure in FY20 is expected to be constrained by limited resources, since tax collections are expected to grow only modestly; the shortfall in tax collections in FY19 was ₹1.68 lakh crore. To be sure, the government will resort to extra-budgetary resources to meet expenses and this will no doubt boost employment and incomes. However, it is possible this could crowd out private sector investments unless the resources are not mopped up from the bond markets but raised from elsewhere, such as from the sale of public sector companies. Given how the growth engine is sputtering, the government must resort to both stake sales and outright sales of PSUs and also monetise as many projects as it can. At the same time, it must streamline and simplify the personal income tax structure so as to minimise the leakage. It must also come up with ways to rejuvenate real estate, undoubtedly the biggest catalyst for the economy. By current indications, however, a 7% GDP growth in FY20 is a tall ask, despite the low base of 6.8%.

ExtremeVETTING

The US now wants to see what you post on Facebook, etc, before giving you a visa

THE US GOVERNMENT wants those applying to it for visa to submit their social media information for five years to the date of the application. This comes after US president Donald Trump's promise of "extreme vetting". The US state department has always asked for personal details like, family member information, travel history and certain contact information. It maintains that the new rule is for better scrutiny in view of national security. This will require around 14.7 million people annually to submit their detail. 'Extreme vetting' was an important plank in Trump's massaging of his core electorate's xenophobia. Since 2017, various US departments have had to provide a 'uniform baseline' to curb illegal immigration. A drop-down menu in the department of state website asks for details from your Facebook, Flickr, LinkedIn, Google+, Youtube, Twitter and Instagram accounts, as of now—its scope shall be extended further. The applicant will have to provide her username or user handle, if used for the last five years from the date of application. However, she will not have to provide passwords, and privacy settings will not be tampered with. Though, unless the state department is able to hack into the accounts or arm-twist the social media companies into sharing data, it is hard to see how this helps the US's scrutiny. Also, what is the parameter of acceptability for entry to the US—will sharing/liking *American Idiot* scuttle the chances of one landing a US visa or will it be criticising Trump's policies and statements? Also, will the policy make room for a later-day nuancing of one's political stand, from a radical to a moderate position? In any case, it will always be a violation of the US's First Amendment principles, one that can be challenged in a court of law in that country.

MODI SARKAR 2.0

TIMING OF THE ASSUMPTION OF REINS BY THE GOVERNMENT HAS COME WITH DISAPPOINTING NEWS ON ECONOMIC FRONT. THE LAST QUARTER GDP GROWTH AT 5.8 PER CENT WAS THE LOWEST

Reformist government? Walk the talk

M GOVINDA RAO

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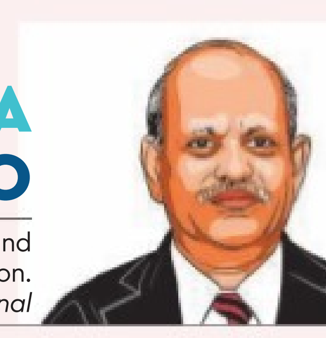
Views are personal



THE SPECTACULAR MANDATE for the BJP and the NDA government back in power for the next five years has brought in a lot of hope, that the new government will fast track the reforms agenda to accelerate growth and increase employment in the country. Congratulations to the new Finance Minister on her well-deserved elevation. She has the job cut out, to immediately focus on getting the sagging economy back on track.

Unfortunately, the timing of the assumption of reins by the new government has come with disappointing news on economic front. The last quarter GDP growth at 5.8 per cent was the lowest in the last five years. In addition, the unemployment rate at 6.2 per cent was the worst since 1972-73. The core sector growth at 2.8 per cent has shown a five month low. The withdrawal of the Generalised System of Preferences (GSP) by the United States comes as an additional setback.

The growth estimate of GDP for 2018-19 at 6.8 per cent is lower than the 7 per cent estimated earlier, and is much below the 7.2 per cent recorded in the previous year. Since the last five quarters, the gross value added (GVA) has shown a systematic deceleration from 7.9 per cent in Q4 of 2017-18 to 5.7 per cent in the Q4 of 2018-19. The agricultural sector has decelerated from 6.5 per cent to -0.1 per cent during the period, and the manufacturing sector recorded a low 3.1 per cent growth in the last quarter. On the demand side, the only functioning engine of growth seems to be private consumption. With substantial cut in the capital expenditure by the government to conform to the fiscal deficit target and with private investment not picking up, capital formation too is showing deceleration. Exports too have been stagnant and with the withdrawal of GSP; the prospects do not look very optimistic.

These formidable challenges also present great opportunities for the new government. On the agricultural sector, the government should unshackle the subsidy-transfer syndrome and embark on big bang reforms. On agriculture, in addition to the prevailing distress, there is a lurking fear of a subnormal monsoon. The Skymet predicts the monsoon at 93 per cent of the long period average and the IMD prediction is 96 per cent. Both point towards an uneven spread across regions. Therefore, the first priority for the government will have to be, to prepare itself for the bad monsoon situation and immediately unleash the reform agendum. The most important is the expansion and deepening of the crop insurance scheme—the Pradhan Mantri Fasal Bima Yojana. It is necessary to cover more crops and penetrate more regions. This should be done on a war footing and the final budget outlay should be increased substantially from ₹14,000 crore provided in the interim budget.

The time is also opportune to embark on the long awaited reforms in the farm sector. There is clearly a need for making a shift from consumer to producer orientation in policies, which implies, that the measures will have to be taken to reverse the worsening terms of trade in the farm sector. Frequent changes in trade policy must be avoided and quick exporting of surplus production should be facilitated. The subsidy regimes should give way to investment in agriculture. Distorting policies, such as enforcing stock-holding limits and frequent export bans should be corrected. Repeal of Essential Commodities Act and breaking the monopsony from Agricultural Produce Marketing Committees too are important. In fact, policy focus in enhancing investment in storage, processing and marketing, and timely information on both input and output prices to the farmers through up-scaled extension will help them to enhance their yield and get remunerative prices.

The GDP growth in the manufacturing sector has shown a sharp deceleration in the last quarter to 3.1 per cent. The capacity utilisation in the industrial sector is at an all time high, and that means, additional growth will have to come from additional investments. The gross fixed capital formation (in constant prices) has declined from 33.4 per cent in Q3 to 30.7 per cent in Q4. Therefore, acceleration in growth of manufacturing requires changes in the investment climate. The twin balance sheet problem is still a major factor. There is considerable laxity in the bad debt resolution process after the Supreme Court struck down the February 12 circular, and the RBI had to postpone putting out a new circular due to the Code of Conduct. Now that the elections are over, the revised circular should be put in place quickly so that the process is activated. The real interest rate in the country is extremely high and perhaps, MPC should make a substantial reduction in the policy rate instead of a token reduction of 25 basis points. The transmission of lower policy rate will depend on liquidity, and that has dried up mainly, due to virtually complete appropriation of household sector's financial savings through large public sector borrowings of over 9 per cent of GDP.

> **Time is also opportune to embark on the long awaited reforms in the farm sector. There is clearly a need for making a shift from consumer to producer orientation in policies**

Is there a scope for fiscal stimulus? It is reported that there has been no further slippage in the fiscal deficit from the revised estimate of 3.4 per cent presented in the interim budget. However, this has been achieved with considerable off budget borrowing and creative accounting. Any further laxity would only hurt the revival of the private sector. However, one important window for increasing capital expenditure for the government is to activate strategic disinvestment. The NITI Aayog has done considerable work in identifying the companies for disinvestment and the government should start the process by completely shedding Air India. Hopefully, it will muster the courage to overcome the stalling process by special interest groups. Active disinvestment process will buoy the markets and will make the process smoother.

The major problem faced in the country is in the factor markets. It is time that the government came out with the law and regulations regarding land consolidation and leasing, to allow for non-exploitative contract farming. Similarly, land acquisition has been a major problem for expanding highways. Relaxation of labour laws has been on the table for considerable period, and with such an overwhelming mandate, this is the time to impart flexibility to the labour market to enhance labour intensive industrialisation and exports.

Another immediate area of action is to fast track the negotiations with the US to regain GSP in trade. The protectionist stance for "make in India" is self-defeating as India's experience over the years has shown, and after a concerted effort at dismantling the protectionist regime, the last few years have seen some reversal. Our current account deficit is not too large and the oil prices, which claim a bulk of imports, are relatively stable. This is the time to dismantle and show seriousness on our negotiations with the US to win them back. Surely, with such an overwhelming mandate, the time is opportune to walk the talk of being a reformist government.

Trump's trade threat to India

De-escalating the trade crisis calls for cool heads. Investment in India is anemic, consumption is faltering, and all domestic balance sheets stressed

ANDY MUKHERJEE

Bloomberg

PRESIDENT DONALD TRUMP just piled another problem on to the already-full slate of Indian Prime Minister Narendra Modi. By removing zero-duty access for $6.3 billion of Indian goods, the U.S. leader threatens growth at a time when India's economy can least afford it.

The country's unemployment rate was at a 45-year high of 6.1% in the year to June 2018, while economic growth in the March quarter of 2019 slowed to a five-year low of 5.8%; data released Friday showed. Publication of the jobless statistic was held back until after Modi won last month's general election and took his oath for a second term on Thursday, though it had leaked anyway.

Demand for Indian goods in the rest of the world needs to perk up to create space for GDP growth and job creation. Trump's trade action is, therefore, bad news. With the domestic auto industry in a tailspin, losing duty-free access to the U.S. could lead to closures of some of India's less-competitive small engineering firms. India is the largest beneficiary of the so-called generalised system of preferences, or GSP, under which developed countries encourage developing economies to industrialise.

By targeting India, Trump isn't opening another front in the trade war, after China and Mexico. He is sending a warning shot that the U.S. expects New Delhi to do more to prove it's a Washington ally.

The U.S. has a history of wielding the GSP privilege as a stick, as I wrote in March when the tariff action against India was first announced, most famously using it to effect regime change in Chile in the 1980s. In India's case, Washington's goals could range from arm-twisting New Delhi to stay away from Iranian crude oil to pressuring it to tone down the growing rhetoric—and regulatory action—around data sovereignty. The Trump administration will be loath to see India mimicking China's strategy of building its own e-commerce, search and fintech champions, keeping out Amazon.com Inc., Google and Paypal Holdings Inc.

Another long-standing friction between the two countries involves cheaper generic drugs. India meets almost 40% of U.S. demand. Should Trump drive a hard line around poor quality and price fixing, the consequences for India's economy could be serious.

By appointing Subrahmanyam Jaishankar, a former ambassador to both the U.S. and China, as his new foreign minister, Modi has acknowledged the gravity of the trade war. Being in the camp of either superpower is risky. On the one hand, India has to reduce its $53 billion bilateral trade deficit with the People's Republic; on the other, it has to squeeze itself on to the shortlist for a non-China-centred global electronics supply chain. India's 5G network rollout will see the government grappling with the question of whether it should join Trump's ban of Huawei Technologies Co., or strike a more conciliatory tone with its neighbour and largest trading partner. Just as any new deal with the U.S. will be multi-faceted, any bargain to be struck with China will also have to include a long-simmering border dispute, and getting Beijing to influence India's relations with Pakistan, currently at their nadir.

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The loss of GSP privileges is an economic challenge, but it's also a diplomatic opportunity. Having won a landslide electoral victory, the Indian leader doesn't need to respond in kind to the White House's machismo just to please voters. On the contrary, this is a chance to reconsider some of India's sillier regulatory decisions of the last six years, such as curbing the maximum price of heart stents and knee implants by as much as 70%. That was an own goal because it kept the more U.S. innovative versions out of India, and gave a windfall to Chinese device producers.

India's economic situation calls for cool heads. Investment is anemic, consumption is faltering, and all domestic balance sheets—for households, companies, banks, shadow financiers and the government—are stressed. Trump has thrown down the gauntlet. Modi should respond by instilling more pragmatism into India's trade and investment policies.

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LETTERS TO THE EDITOR

The case against Hindi imposition

It needs no great intelligence to identify the 'third language' in the three language formula, and see through the ploy to make Hindi learning compulsory through the back door. What is required, is a roll-back of the three language policy BJP's perennial obsession with Hindi drives it to try and foist it on non-Hindi speaking people. BJP subscribes to "Hindu, Hindi, Hindustan", a motto not at all suitable for a vast, diverse, disparate and heterogeneous country like ours. The three-language policy jibes with the BJP government's stance on the language issue, but it jars with the sentiment of the southerners. DMK President, M.K.Stalin, likened the move to impose Hindi to 'stoning a beehive'. In seeking to replace the existing two language policy with the much resented, and resisted three language policy, the Modi government is seeking to renege on Jawaharlal Nehru's assurance on the prickly language issue given on the floor. If the Modi government is so keen on 'greater cognitive development of children' by means of 'multilingualism', it can well start with introducing Tamil, Kannada, Marathi or any one of the 'official' languages in Hindi-speaking states. The party that never tires of speaking *'Akhand Bharat'*, should conduct itself in a manner befitting it. Tinkering with India's pluralism or linguistic diversity is not the way to hold *Akhand Bharat* together. People are intelligent enough to understand the inextricable link between language and culture, and the hidden cost of allowing Hindi in non-Hindi-speaking states.
— G David Milton, Maruthancode

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Three big ideas to revitalise agriculture

Create incentives for voluntary aggregation or pooling of land; abandon hope for APMC-mandi reforms and create an alternate mechanism for farmers to realise a better price for their produce; and legislate a Farmers' Bill of Rights that lays down all the entitlements of a farmer, from choosing what to grow, where and to whom to sell, his rights over his land, water, knowledge, etc

THE NATIONAL ELECTIONS ARE over. It's time to return to governance. If there's one sector that demands action from the new government from day one, it is agriculture. Here are three big ideas that can unleash a multi-year cycle of growth and prosperity in this sector.

Millions of tiny and unviable plots are at the heart of the distress in agriculture. In fact, 65% of all holdings are marginal (less than one hectare of land, i.e. two-and-a-half acres), while another 21% are small (up to two hectares, or five acres). With 86% small and marginal landholdings, investments in productivity-enhancing technologies and economies of scale cannot be deployed. Thus, incentives for voluntary aggregation or pooling of land should be created. This can be achieved by the central government laying out a legal framework, whereby farmers pooling a minimum of 100-500 acres of land are allowed to legally lease out the combined land parcel to anyone (including private companies, farmer producer organisations, cooperatives, self-help groups, individuals, etc) under a registered deed for 10/20/30 years.

The Negotiable Instruments Act, a central legislation, can be suitably amended by the government of India to achieve this outcome. In one stroke, the option of leveraging their basic asset—i.e. land—will become available to the farmers across the country, bypassing the maze of restrictive state-level land laws that prevent voluntary pooling of agricultural land.

The pooled land parcel should be limited only for agriculture-related activities (including horticulture, dairy, livestock, poultry, fisheries or agro-forestry), as well as for setting up solar power plants by private developers. As a matter of fact, technology demonstrations in different parts of the world have shown that solar power generation and agricultural operations can take place on the same plot of land in a complementary manner.

The lease should be a negotiable instrument, enabling capital to be raised against for investment in the land. The original title holders need to be guaranteed payment of the agreed lease amount and restoration of land at the end of the lease period by a government entity (every state can have a dedicated authority for this purpose).

The pooled parcels of land could form the nucleus for integrated value chains for a range of agricultural produce (cereals, pulses, oilseeds, fruits and vegetables, livestock, dairy, poultry, agroforestry, and fisheries) for domestic as well as export markets. It would incentivise mechanisation, technology infusion, as well as modern infrastructure at the farm gate for production as well as post-harvest operations. Most importantly, the investments and higher output of value-added food products will create huge employment opportunities for rural youth.

Central and state governments should kick-start this initiative by offering large unutilised land parcels (for example, the barren Chambal ravines in Madhya Pradesh and Uttar Pradesh) and other wastelands and government farms. This will create comfort amongst ordinary farmers to adopt the same approach.

The *second big idea* relates to marketing. Every effort to persuade, cajole, incentivise and arm-twist the states into liberalising agricultural markets has failed in the past 20 years. It's time to abandon hope for APMC-*mandi* reforms and create an alternate mechanism for farmers to realise a better price for their produce. Give farmers a practical option to store at least a part of their output immediately after harvest in a warehouse against a negotiable receipt, and offer 80% of the market value of the produce as a loan.

The key is make the cost of the loan bearable and if there's a subsidy required on the loan (subject to a reasonable limit of produce that can be stored), then it's highly justified.

If the farmers can hold back even a third of their marketable surplus in a nearby warehouse and avail of an affordable loan, they have a chance to participate in some of the upside on prices in the following 3-6 months. All warehouses (public as well as private) that register for this facility should compulsorily display farmers' stored stocks on e-NAM (the online agriculture marketing portal launched by the government). This will make the produce stored even in remote warehouses visible to pan-India buyers and facilitate interstate trades. In any case, it will substantially reduce the power of local trader cartels, which dominate APMC-*mandis*, to drive down prices during the post-harvest flush and force them to compete with a wider cohort of buyers.

The *third big idea* is to legislate a Farmers' Bill of Rights. The farmer brought India from a food-deficit to a food-surplus nation. However, current terms of trade are mostly against agriculture. Policies towards factor markets in land, labour, capital, technology and output are highly restrictive and work against the farmer's interests. It is utopian to expect that the maze of laws, regulations, institutional arrangements and other hurdles that hinder 'ease of doing business' in agriculture (largely in the domain of the states) can be somehow harmonised in a coordinated manner in the farmer's favour in a reasonable time frame.

Only when farmers' rights are embedded in the Constitution, can the vested interests—which have captured the various aspects of the agricultural supply chain and squeezed farmers—be challenged and pushed back

The answer lies in a constitutional amendment to include a Farmers' Bill of Rights, which lays down all the entitlements of a farmer, from choosing what to grow, where and to whom to sell, his rights over his land, water, knowledge, etc. Only when these rights are embedded in the Constitution can the various vested interests, which have captured various aspects of the agri supply chain and squeezed farmers, be challenged and pushed back.

To underline the importance of agriculture and to enable coordinated action by the Centre and states on all issues pertaining to agriculture, a National Agriculture Council, chaired by the Prime Minister, with all chief ministers as members, must be mandated in the Farmers' Bill of Rights. Only such a constitutionally-mandated body can be tasked with supervising the comprehensive set of steps that will be required to transform agriculture.

Tackling the threat of AMR

JYOTI JOSHI

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Ensuring a lasting legacy of effective antibiotics for the future generation

THE WIDESPREAD USE of antibiotics over the last 75 years has dramatically reduced illness and death due to infectious diseases. Unfortunately, their indiscriminate use has come at a grave cost, that of antimicrobial resistance (AMR)—the ability of microbes to adapt to drugs that act against them and become resistant to their effects in fighting disease, thus creating 'superbugs'. The alarming rate at which bacteria are becoming resistant to existing antibiotics has led the WHO to identify AMR as one of the top-10 threats to global health. As per estimates, 700,000 persons die every year worldwide due to AMR and inaction in containing this menace is likely to cause, by 2050, over 10 million deaths every year, more than those caused by cancers and road accidents combined.

AMR is fuelled by indiscriminate use of antibiotics by humans for our health as well as in agriculture for mass production of food animals. However, the silent role of the environment, especially of inadequately-treated sewage waste containing resistant bacteria, goes unnoticed. In a globalised world, the presence of these antibiotic residues and resistant bacterial genes in medical waste from hospitals, sewage from homes, and effluents and waste water from pharmaceutical plants magnify the burden of AMR manifold, creating resistant bacteria or superbugs. The threat of AMR is stark in India that has some of the highest antibiotic resistance rates among bacteria that commonly cause infections.

India took a major step by announcing a National Action Plan (NAP) on AMR in April 2017, which, in addition to the 5 Global Action Plan priorities, included a sixth pillar for "strengthening India's leadership on AMR" among overall strategies. This was followed with subnational (state) action plans led by Kerala. Today, two years after the launch of NAP, it is heartening to note the progress in the country, from the establishment of an AMR lab surveillance network, to laying down of national guidelines for antimicrobial use and infection prevention and control in healthcare facilities. However, much remains to be done. AMR needs to be tackled in mission mode through a multi-stakeholder approach.

The Indian pharma industry is known to supply about 20% of generic drugs (2014), and manufacturing sites in India and China account for 80% of the antibiotics sold by pharma MNCs globally. But effluents from manufacturing units continue to wreak havoc on our environment by discharging unhealthy levels of antibiotic residues, resistant bacteria and genes into lakes and rivers. The existing Good Manufacturing Practices (GMP) framework is restricted to drug safety, and current environment standards do not include AMR-specific environmental safeguards. Regulation of environmental discharges from manufacturing units is left to local governments. In India, the CPCB established effluent standards for pharma industry waste, and all state pollution control boards follow the same. Unfortunately, these standards do not include antibiotic residues, and thus are not monitored for propagation of resistance. As a country that aspires to demonstrate leadership in AMR policy, it's time India establishes standards for maximum residual limits for antibiotic waste. Leadership by India will provide an opportunity to mobilise global procurement agencies in the supply chain. By sourcing responsibly-made antibiotics manufactured in environmentally-sustainable way, using green technology, they can encourage manufacturers to comply with environment-friendly standards. During audits of pharma plants for GMP practices, waste discharge policies in place need to be assessed and action taken where required.

For the industry as a whole, business needs to bear greater social responsibility. As the pharma industry draws most benefits from the sale and use of antibiotics, they must take proactive leadership to monitor production, sell their products and dispose of waste responsibly. The faceless epidemic of antimicrobial resistance wreaks havoc on us every day by making lifesaving antibiotics ineffective. It is time for all of us to work together if we want to leave a lasting legacy of antibiotics that are still effective in saving lives from infections.

Towards the success of gold spot markets

We need an enabling policy environment to set up national electronic spot markets for the yellow metal

V SHUNMUGAM & NITEEN JAIN

Authors are head and senior analyst, respectively, Research at MCX. Views are personal

"When we have gold, we are in fear; when we have none, we are in danger"
—English proverb.

AS IT IS WITH INDIVIDUALS, so with sovereigns. An early response to the economic crisis in Venezuela was its central bank's (BCV) liquidation of its gold reserves (in 2015) to pare its debt. The bolivar, its currency, had become so useless that it was cheaper to use the currency notes as napkins. Likewise, the East Asia financial crisis two decades ago saw ordinary South Koreans join the national campaign to mobilise gold and pay-off IMF bailout loan. The 226 tonnes of gold mobilised from nearly a quarter of the population may have been a pittance, but it clearly demonstrated the spirit of the people and the economic significance of the yellow metal in times of crisis.

Intuitively, the 25,000 tonnes of gold Indians hold clearly has a greater potential for the country, not only as a safe haven in times of economic upheavals, but also as a source of finance that can support real economic growth if this stock can be connected to the organised financial sector. Gold, any way, has a significant beneficial impact in India, with the gems and jewellery sector contributing 7% to the country's GDP and 15% to total merchandise exports, besides employing over 40 lakh workforce. However, for the yellow metal to play out its real economic strength in the country with a millennia-long and strong cultural affinity towards gold, there is a dire need for institutional mechanisms that help unlock its value and channelise the benefits of this into the real sectors.

Over the years, the policy has largely been juxtaposed between tightening gold imports—as gold is seen as a large but unproductive import item, and developing the indigenous gold economy. The pursuit of the latter is now expected to get a major fillip following return of the NDA at the Centre, which had, in 2018, announced its intention of developing 'gold as an asset class'. Of the various measures expected towards this end, the proposed establishment of gold spot exchanges is arguably the most significant game changer amongst all. Gold spot exchanges are expected to fundamentally alter the way transactions in gold are currently done, mobilise household gold into mainstream economy, and spawn efficient financial instruments with gold as the underlying.

So, what are the prerequisites for a successful gold spot platform? Apart from the existence of a strong and autonomous regulatory body, clear regulatory architecture, well-established quality standards and good delivery norms, a new institution like a gold spot exchange needs to be supported by necessary and nifty policy enablers, some of which include:

Well-distributed vault network: India's gold economy is made up of diverse participants—retail consumers, banks, large trading houses and AMCs, to lakhs of jewellers and goldsmiths. A vaulting network, under appropriate regulations, associated with gold spot exchange is essential to induce necessary interest and trust amongst such a diverse set of participants spread across the Indian geography. A wide geographical spread of vaults would not only facilitate easy delivery of the metal, but also aid in efficient price discovery in far-fetched physical markets. Besides, electronic record keeping of the vaulted gold stocks under regulations will a long way to connect the stakeholders with the formal markets for finance. Backed by ambitious policy reforms, the Shanghai Gold Exchange (SGE), one of the world's most successful gold spot exchanges, had, by 2016, a network of 61 gold vaults spread across 35 cities, facilitating vaulting, title transfer and delivery of gold in line with trading needs of the stakeholders of the SGE platform. As much as 67,500 tonnes of gold was traded and 11,600 tonnes delivered on the SGE platform in 2018.

Instituting a benchmark price: A sore point in India's otherwise glittering gold economy is her absence of pricing power, despite the country being one of the world's largest gold consumers. With a supportive policy regime that promotes mainstreaming of gold investment, a widely-acceptable and referenceable India Gold Price can emerge. A gold spot exchange can surely catalyse such an emergence, just as the SGE that had launched and popularised the Shanghai Gold Fix. Despite its short history of the past three years or so, the Shanghai Gold Fix commands a healthy correlation of 99.6% with the LBMA (London Bullion Market Association) fixings. Such an Indian benchmark can be used to price Indian gold ETFs, which are today pegged to LBMA fixings. While an Indian benchmark will add to the transparency in physical market transactions, it can also be used for transparently pricing gold for public schemes such as the Gold Monetisation Scheme and Sovereign Gold Bonds, apart from breeding innovative gold-based finance schemes. This will eventually strengthen the foundation, and help internationalisation of the India Gold Price.

Diversity in trade participation: The vibrancy of a marketplace has a direct and strong relation with the diversity of its participants' profile. London is a centre of global gold trade, despite the UK being neither a large consumer nor a producer of the metal. The holy grail of this gold trading hub is the unfettered participation it allows in its markets. To emulate this example, Indian regulations also need to allow (and even encourage) participation of financial firms—banks, mutual funds, alternative investments funds—apart from physical value chain participants in the gold spot exchange. The exchange would also need participation of foreign entities—miners, refiners and foreign financial firms—to fully reflect the global fundamentals of gold in the Indian price, as well as create products, processes and infrastructure for lending vibrancy to the Indian gold market. It is little surprise that the Shanghai Gold Fix, which is emerging as a reference price in East Asia, is arrived at from the prices quoted by its hugely diverse participants: domestic and international banks, large retailers, miners, etc.

Broadening the scope of exchange: The gold spot exchange platform can and should be leveraged for introducing other products and services such as deferred trading, swaps, gold leasing, etc, which can help unlock the real value of gold beyond being a form of wealth. Building on existing trade processes and infrastructure created by the gold derivatives market and enabling fungibility between spot and derivatives platforms can offer a host of benefits for the common users of these platforms. The economic benefits to the stakeholders in the market can be enhanced by way of fiscal incentives, which will go a long way in promoting transactions in a formal and transparent marketplace; for example, trading of standard gold on the SGE is exempt from VAT.

High expectations?

In a country like India where gold has deep sociocultural roots, any effort to develop the gold economy holds huge significance from India's domestic economic needs and wielding its economic power in an appropriate manner. The anticipated flow of benefits from gold spot exchanges are, expectedly, large—whether in making Indian prices more transparent and providing a benchmark for intra- and international transactions, popularising quality standards that propel gold jewellery exports and the country's nascent refining industry, creating and driving recycling standards and norms, or giving a fillip to policy efforts for monetisation of physical gold. Yet the expectations are not unfounded. Apart from the SGE and the rise of Shanghai as a counter to London, as noted above, the vibrancy of Istanbul's financial market is a direct offshoot of Turkey's main exchange, Borsa Istanbul, being the gateway for gold imports, in turn creating an efficient and formal gold market structure in Turkey. To reap the economic benefits of the largest gold deposits above the earth's surface available with India's economic stakeholders, to use it to appropriately to connect with the global and domestic markets, and to finance the wheels of its economic growth needs, it is essential that the policymakers move ahead with the right institutional support and an enabling regulatory and policy environment, to set up national electronic spot markets for the yellow metal.