# Tenure erosion can be a subversive tool

If the law protects the tenure, the office-bearer is ring-fenced from acting under fear of being sacked

**WITHOUT CONTEMPT**

SOMASEKHAR SUNDARESAN

Tenure protection for public servants is under attack. Amendments to the Right to Information Act, 2005, passed in this session of Parliament have blown off two fundamental statutory protections enjoyed by information commissioners all over the country — first, a statutory protection of tenure for information commissioners, and second, protection of their remuneration.

Both, tenure and remuneration for information commissioners at the central level and the state level, will henceforth be "as may be prescribed" by the Central government. Before the amendment, there was a tenure of at least five years unless the incumbent reached the age of 65. Likewise, remuneration of the commissioners was on par with those available to the members of the Election Commission (and in the states with the chief secretary of the state) — which also underlined the importance of this office. Now that the Central government will decide both the tenure and the terms of remuneration of information commissioners at the Centre and at the states, the Central government will get to wield full political leverage over information commissioners all over the country. How the incumbents deal with enforcing the citizen's right to information will be determined by how the reins are wielded by the government in power.

Tenure protection lies at the heart of protecting public office. If the law protects the tenure, the office-bearer is ring-fenced from acting under fear of being sacked. Our Constitution protects the tenure of the higher judiciary (the only way to remove a judge is through impeachment) only to ensure independence of the judge. It is because tenure of the judge is protected, that the manner of selection becomes the core issue with judicial appointments.

When the Supreme Court found that the trial of those accused of demolishing the Babri Masjid had dragged on for a quarter of a century, in 2017, it set a deadline of two years for completion of the trial with the judge being protected against any transfer. Last month, when it found that the judge would retire in two months, the court directed that the judge's tenure be extended to let him focus on and complete the trial in nine months. At the heart of the issue was protecting the tenure for the junior judge to ensure that a very important trial was indeed completed.

Prakash Singh, a retired police officer, pursued public interest litigation, which led to the Supreme Court stipulating a two-year tenure protection for every police officer, right from the Director General of Police of a State to the Station House Officer heading a police station. Repeated attempts by state governments to have this disturbed, have so far been broadly repelled by the Supreme Court. Diabolically, some states were found rewarding loyal police officers with appointment to the post of Director General on the eve of their retirement so that they could enjoy another two years of legally-protected service tenure. Governments and their incumbents (both political and bureaucratic) have the deepest vested interests in resisting tenure reform.

Officers of regulatory agencies too are meant to have tenure protection. The law governing the office of the governor of the Reserve Bank of India, historically the most fiercely independent regulator, does not have age stipulations. That is why the term for which the governor is appointed by the government is a strong tool for exercise of governmental influence, if not control, over this sensitive office. An obnoxious practice of regulatory appointments for a specific term, extendable by another term at the discretion of the government, has also developed. This practice enables keeping the incumbent on leash — a "safe pair of hands", particularly towards the end of tenure.

Central bankers are wont to say having a little inflation is like being a little pregnant. This adage is equally true with legislation. Once a subversive measure is introduced in an area of law, it will inexorably find its way into other areas. The erosion of tenure protection for information commissioners could well be a cancerous cell that may turn into a malignant subversion for any other statutory or regulatory institution.

*The author is an advocate and independent counsel. Tweets @SomasekharS*

## CHINESE WHISPERS

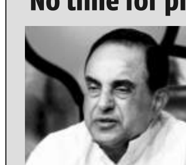
**Tandon must wait**

The Bharatiya Janata Party's Lalji Tandon (*pictured*) took oath as the new governor of Madhya Pradesh earlier this week. But he will have to wait a while before shifting to his official residence and is staying in the President Suite of the Raj Bhawan. He has to wait because the former governor of the state, Anandiben Patel, who is now governor of Uttar Pradesh, is yet to move out. Also, the whole compound is being renovated in accordance with Tandon's specifications. Once the renovation work is completed, Tandon hopes to move in after performing a puja and some rituals to ward off the evil eye.

**Case in point**

Only one of the two MPs of a political party that rules a southern state voted against the 'triple talaq' Bill in the Rajya Sabha on Tuesday. Sources said the party's other MP absented himself when the vote took place to signal that it was the party's political compulsion to oppose the Bill. When Opposition leaders demanded the party MPs explain their conduct, they had a one-word answer: "Nineteen". As an Opposition MP struggled to understand its significance, the MPs explained "19" was the number of cases their party chief faced.

**No time for press freedom**



On July 4, members of 15 political parties requested a "short-duration discussion" in the Rajya Sabha on "how to strengthen the freedom of the press, as the media is the fourth pillar of democracy". A majority of those who requested the discussion are members of Opposition parties, but Bharatiya Janata Party Rajya Sabha MP Subramanian Swamy (*pictured*) also signed the notice. The government, however, suggested a short-duration discussion on "the need to ensure basic facilities and affordable treatment to cancer patients". The Rajya Sabha took up the discussion on the issue of cancer on Wednesday and another "half-an-hour" discussion on the "clean Ganga drive". The Opposition was told that the Rajya Sabha would not have the time during the current session, which ends on August 7, to have a discussion on the "freedom of the press".

# Powering the EV mandate

Public and private sector enterprises have started investing in the eco-system for electric vehicles but viability remains an issue

T E NARASIMHAN

Last week, the GST council cut rate cuts on electric vehicles (EVs) from 12 per cent to 5 per cent and on electric chargers from 18 to 5 per cent, a clear signal that it proposes to forge ahead with its target of reducing urban pollution and crude oil import bill. Both rate cuts will considerably narrow the price differential between EVs and petrol and diesel vehicles. EV prices are expected to drop 7 per cent.

But narrowing the price differential is just one of the challenges to achieving the government's grand mandate. The lack of a robust ecosystem, principally recharging stations, and domestic battery manufacturing capabilities, could well short-circuit the government's stiff electric mobility targets. Most two-wheeler makers — Bajaj Auto, TVS, Hero and others — have been vocal on this point. Steffen Knapp, director, Volkswagen Passenger Cars, recently said his company doesn't think it possible to be part of India's electrification plan in the absence of supporting infrastructure.

**TAKE TWO**

ANALYSIS BEHIND THE HEADLINES

Things could be changing now, with several public sector enterprises, private sector engineering and automobile companies as well as new-age start-ups venturing into the EV infrastructure business (see table). "Having such full-scale infrastructure would definitely push the buying decision in favour of EVs," said Maxson Lewis, managing director, Magenta Power, an EV mobility solutions provider.

What kind of infrastructure is needed to achieve the government's mandate that all three-wheelers and two-wheelers go electric by 2023 and 2025 respectively, and others except commercial vehicles, by the year 2030. One estimate by Nomura Research puts the investment requirement of charging stations at ₹13,000-14,000 crore. Private sector start-ups alone are expected to add 50,000 to 60,000 charging stations over the next three years. Their contention is that given the initial low viability of the business, some sort of viability gap funding would be in order. In the second edition of its electric mobility policy (known as FAME 2), the government says it will allocate Rs 10,000 crore to set up charging stations to both public and private sector players.

"As a standalone business, EV charging stations is still a sunrise venture. It could be the future version of what gas stations are today, a money spinner, but only if investors are willing to wait," says a Tata Power executive.

Others suggest pushing for low-grade charging at home, offices and other locations where vehicles stop – globally, these touch points account for 80 per cent of EV charging points. So far the only progress here has been a suggestion from the power ministry to state power utilities to facilitate such private charging points.

The availability of lithium-ion batteries will also be a critical determinant of EV adoption by consumers. Batteries account for over half an EV's cost and, currently, are almost entirely imported from China. India would require six plants of 10GWh each by 2025 and 12 by 2030 to cater to this emerging market.

Niti Aayog CEO Amitabh Kant said the objective was to "first work on about 80 per cent of components of two and three-wheelers and buses and also push manufacturing of batteries in India". To this end, the government is likely to issue tenders to set up 50 GWh of battery manufacturing in India, which would attract around $50 billion in investment. "At present India depends on China for EV parts. However, by 2022, local production of cells will go up and even fuel cell might come to India," says a Tata Motors Ltd spokesperson.

One of the Tata group companies, Tata Chemicals, has already announced that it will set up a 10 Gwh plant at Dholera, Gujarat. Several companies — established ones and new-age start-ups — are venturing into this business (see table).

Setting up local plants is only part of the challenge. As Amara Raja Batteries CEO S Vijayanand points out, only a high level of localisation will make the business viable. Currently, the raw material for batteries are not available in India. Battery chemicals account for 30-40 per cent of the costs of a battery pack, and the cell accounts for 25-30 per cent. Even a cell-to-battery assembly plant would improve value addition by 30-40 per cent. But India has such annual assembly capacity worth just 1 Gwh.

Companies like Amara Raja have, however, started back-end integration to accelerate the pace of localisation. The company established a battery pack assembly capability and looking at backward integration into cell manufacturing. Right now, its localisation level is 25-30 per cent at the battery pack level.

Exercises such as these are, however, time consuming and unlikely to match demand. Yet they are vital to the success of the government's EV plans. As Vijayanand puts it, "India missed the magic of manufacturing consumer electronics and we also missed the magic of manufacturing in the renewable sector, such as the solar panels, but I think if you were to look at EVs, then as a country we cannot afford to miss the magic of manufacturing."


**Companies setting up EV charging stations**

**PUBLIC SECTOR:**
BSES Rajdhani Power, IOC, Hindustan Petroleum, BHEL, Energy Efficiency Services (EESL), Union housing ministry

**PRIVATE SECTOR:**
Tata Power, Ather Energy, Vakrangee, Magenta Power, ABB, Acme Industries, Fortum India,

**Companies getting into battery manufacturing**

| ESTABLISHED PLAYERS: | NEW AGE COMPANIES: |
|---|---|
| Suzuki Motor Corporation, BHEL, Adani, Group, Amara Raja, Exide Industries, Greaves Cotton, Tata Chemicals | Exicom, Greenfuel Energy Solutions, Trontek, Coslight India, Napino Auto & Electronics, Trinity Energy Systems and Versatile Auto Components. |

**INSIGHT**

# Tigers and growth

DHIRAJ NAYYAR

It is lazy and wrong to view the goals of economic growth and conservation of the environment as inherently contradictory. It may even be convenient for some interests. The reality is different. Just look at how India has succeeded in doubling the population of its tigers in the last decade, a period in which the economy has also registered high growth rates. In fact, the population of tigers declined drastically over the long decades when economic growth was not so high. Now, every stakeholder, whether the government, judiciary, industry, NGOs and citizens must accept, in principle, that India can grow rapidly while preserving the environment — forests and fauna, air and water.

Often, it is unhelpful to put environment before economic growth. Poverty, or the lack of prosperity, leads to much greater environmental degradation. If the majority is living a subsistence livelihood, if industries are primitive (in a technological sense) and if government is starved of resources — all the characteristics of under development — the consequences for the environment are severe and the possibilities of mitigation or upgradation near zero.

Prosperity is good for the environment. For a start, it endows the government with greater financial resources to address the challenge of environmental degradation. It also enables the population to be more educated and aware — without citizen participation, government efforts to preserve the environment will amount to nothing. It makes industry more advanced, profitable and able to use the best in class technologies to minimise adverse impact in terms of air and water pollution and dislocation of flora and fauna.

The most significant gain from rapid economic progress is on the technology front. That helps directly in conservation of the environment. Among other things, tigers have been protected and nurtured through the latest tracking technology. Those who attempt to illegally kill them, that is, poachers, or those who destroy their natural habitats, for instance, illegal logging/deforestation, can be caught and deterred through the deployment of appropriate technology. In industries like mining, for example, which have traditionally been viewed as damaging to nature, technology has advanced to enable successful transplantation of flora and fauna to alternative locations. It is not unusual for mining companies to have bio-diversity officers in-house or to partner with international organisations working in the field of the environment to achieve this. Importantly, once the mining work has been completed and the area vacated by man and machine, the entire ecosystem can return to its original state. There is evidence of this in India (in Goa) and abroad (in South Africa) where industry is mandated to spend the resources to make sure that the regeneration happens at a very fast pace.

But what of damage already done? The good news is that nature regenerates itself. Damage can be reversed. Often, the absence of human beings helps as the curious case of the Chernobyl disaster zone in Ukraine has proved. Three decades after a catastrophic nuclear accident rendered a large zone unfit for human habitation — radiation is still dangerously high — both flora and fauna have reappeared to reclaim the area. With planning and management, the regeneration can be achieved without large-scale human displacement necessitated by disaster.

**India has succeeded in doubling the population of its tigers in the last decade, a period in which the economy has also registered high growth** **Photo: PTI**

It is already happening. The positive news on the tiger population is not the only reason to be optimistic in India. According to the Union Minister for Environment and Forests, India's forest cover has grown by 16,000 square kilometers in the last five years. India's experience in successfully expanding its forest cover is not unique. Europe has achieved impressive rates of reforestation adding an estimated 90,000 square kilometres (approximately the size of Portugal) in the 25 years since 1990. Perhaps, it is easier for advanced economies for the obvious reason that they are rich and have greater resources and fewer polluting industries — those have been outsourced to the emerging economies. But the point is that deliberate intervention can aid regeneration.

Needless to say, it is important to not get carried away and give economic growth unfettered priority over nature because the quality of that growth will be poor and it will be unsustainable. Worse, it will adversely affect the livelihoods and health of all citizens which would negate the hard-won prosperity.

The admittedly tough challenge for the government and courts is to strike the right balance. Stalling economic activity, by invoking the environment is likely to be counter-productive unless, of course, there are very pressing reasons to do so. At the very least, the possibilities of mitigation with the use of technology and ample financial commitment must be heard before a final decision is made. Industry must become responsible. And civil society must not be irresponsible.

India, which is already charting a unique economic trajectory, has an opportunity to show the world that it is possible to become richer and greener at the same time. A 21st century tiger economy.

*The author is Chief Economist, Vedanta*

## LETTERS

### Exercise caution

Even without verifying the facts, some leading Bengaluru business tycoons have jumped in to crucify the Income Tax authorities for Cafe Coffee Day (CCD) chain founder VG Siddhartha's unfortunate decision to end his life. In a letter purportedly signed by him, while taking the entire blame on himself for the "mistakes", he has accused the former DG, Income Tax, for harassing him by attaching his shares that caused serious liquidity crunch. On the other hand, the IT authorities have clarified that the searches were based on solid evidence of tax evasion and that the attachments were ordered to safeguard interest of revenue, which in any case was later revoked on Siddhartha's request. According to them, even though Siddhartha had admitted to huge unaccounted for income, he did not include the entire admitted concealed income in his IT return. The action of IT authorities ordering provisional attachments of Siddhartha's assets are in accordance with the law, which may possibly cause financial hardship, but cannot be called "harassment". At the same time, tax authorities must also exercise such powers judiciously so as not to bring a business entity's legitimate business to a grinding halt leading to a chain of adverse economic consequences.

**S K Choudhury** Bengaluru

### The real tragedy

Apropos "CCD founder missing, massive search on (July 31)", before one could finish reading the news about missing V G Siddhartha, owner of coffee shop chain Cafe Coffee Day, the news that his body had been found on the shores of Netravati river has come as a big shock. The investigation agencies should look his death from all angles including the recent Karnataka horse trading exercise wherein some half a dozen rebels were kept in a hotel, all expenses paid by some unknown entity far away from the scene. After all, the deceased happens to be the son-in-law of a former chief minister of Karnataka who switched over to the Bharatiya Janata Party in 2017.

**N Nagarajan** Secunderabad

### Do something useful

While I welcome Prime Minister Narendra Modi's participation in Discovery's wildlife show, I however, feel that the last person he should have associated with is Bear Grylls. Anyone who has watched even a few of this adventurer's *Man vs Wild* episodes knows the kind of wanton destruction of wildlife he perpetrates, in order to obtain food for his survival in the course of the futile "explorations" he undertakes on a variety of inhospitable terrains. One just doesn't understand what Gryll proposes to achieve or teach through them. He must realise that discretion is the better part of valour and imagine the number of innocent animals that can be spared if he can carry non-perishable food items with him in his backpack.

**CV Krishna Manoj** Telangana

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## HAMBONE

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# Piling foreign debt

## New ECB norms can make India more vulnerable to external shocks

The revised norms for end-use of money raised through external commercial borrowings (ECBs), announced by the Reserve Bank of India (RBI) on Tuesday, have brought in significant changes. Under the new norms, ECBs with a minimum average maturity period of 10 years can be used for working capital and general corporate purposes as also by non-banking finance companies for on-lending. The RBI, in consultation with the central government, has also permitted firms to raise ECBs for repaying rupee loans taken from domestic sources for capital expenditure in the infrastructure and manufacturing sectors, classified as SMA-2 or non-performing asset (NPA), in order to make a one-time settlement (OTS) with lenders. Besides, banks have been allowed to sell such loans to eligible foreign lenders. At the company level, the revised norms can potentially help raise funds more freely from external sources. Since the Indian banking system is still struggling with NPAs and may not be in a position to fund the requirement of the Indian corporate sector, the new norms will enable companies to diversify their borrowings.

The possibility of Indian companies borrowing overseas to repay domestic lenders will also enable banks to lend to smaller businesses which are not in a position to borrow from external sources. In view of the fact that the cost of money in the global financial markets is expected to come down further, some companies may be able to reduce their interest burden by borrowing abroad or by swapping their rupee loans with foreign-currency debt. But they will need to carefully manage the currency risk. Also, instead of heading for the Insolvency and Bankruptcy Code (IBC) solution, banks and companies can now get into an OTS scheme, the funds for which have to be raised abroad.

The latest move appears to be part of an overall strategy that Indian companies should tap global resources to lower cost. However, potential benefits at the company level should not make policymakers lose sight of the broader macro picture because increasing reliance on foreign capital can be dangerous. It is correct that there are problems in the Indian financial sector and the corporate balance sheet is also stressed. But depending on foreign debt to address some of these issues can exacerbate difficulties for India and should be avoided. For instance, higher foreign borrowings would put upward pressure on the rupee, which anyway is excessively overvalued, and affect exports. The other problem is the reluctance of Indian companies to hedge their risks. Unhedged exposure can become a threat not only to individual companies, but to the system and its stability. Experience in many countries have shown that corporate crisis can turn into a macro-economic risk in no time.

Further, this will increase India's foreign debt exposure and, in the absence of consistent inflows, servicing can become a problem. This can result in significant volatility in the currency market and, among other things, increase the repayment burden for Indian companies. India's foreign debt which needs to be repaid by the end of this fiscal year is over 43 per cent of the total external debt and 57 per cent of foreign currency reserves. This is not to suggest that India should not tap foreign funds to supplement domestic savings. India should target higher direct equity investments, which are more stable and will help augment growth. Increasing dependence on debt, as the relaxation in ECB norms shows, will make the Indian economy more vulnerable to external shocks and increase risks to financial stability.

# Insurance flaws

## PMFBY fails to live up to the hype

The government's much-hyped crop insurance scheme, the Pradhan Mantri Fasal Bima Yojana (PMFBY), has remained an underperformer since its inception in 2016. Some critical structural flaws and inept implementation have proved its nemesis, though the scheme is better than all the risk-mitigation systems tried out since the early 1970s. Complaints have been mounting about the delayed clearance of claims and, more importantly, meagre reimbursements of losses. Farmers' organisations and even some political parties, notably the Shiv Sena, have threatened to launch agitations against the insurance companies to press for adequate compensation to the farmers for the crop damage because of aberrant weather, pests, diseases, and other calamities. The Estimates Committee of Parliament, headed by Murli Manohar Joshi, acknowledged in its 30th report (December 2018) that the PMFBY suffered from several problems that have shaken the farmers' faith in it. Inordinate delay in loss assessment, belated or non-payment of claims, and lack of transparency are among the faults pinpointed by this panel.

The waning interest of the farmers in the PMFBY is borne out by the downtick in the insured area from 57.2 million hectares in 2016-17 to 47.5 million hectares, or just 24 per cent of the gross cropped area, in 2017-18. The area coverage is estimated to have shrunk further in 2018-19, though the final figures are not yet out. The claims for the last year's kharif and rabi seasons have not yet been fully paid. The government intends to expand the PMFBY coverage to 50 per cent of the cropland. This may not be possible unless the scheme is suitably revamped to make it attractive for farmers. Since 85 per cent farmers are small and marginal landholders have hardly any loss-bearing capacity, the need for a sound risk-hedging system is paramount.

Viewed from this angle, the PMFBY can be rated high because it covers almost all major crops, requires farmers to pay only a nominal premium, and takes care of a wide range of perils, from prevented sowing to post-harvest damage to the produce from localised calamities. However, making the states a 50 per cent partner in expenditure sharing and involving banks in its operation for the loanee farmers have been among the key mistakes. The blame for delay in claims clearance is often put on the states for their failure to pay their share of funds to the insurance companies and belated communication of crop-cutting experiment data to enable the assessment of losses and computation of compensation. The involvement of banks, on the other hand, blocks direct contact between farmers and the insurers. The farmers often do not get to see the policy documents or receipts of the premium paid on their behalf.

The government is now making crop insurance voluntary, rather than mandatory, for the indebted farmers; removing high-premium crops from its ambit; and allowing flexibility to states to devise their own models for offsetting farmers' losses. If that happens, it would rid the scheme of many of its ills. But greater use of technology, including drones and satellite imagery, is vital to expedite damage assessment and ensure prompt and realistic claims settlement.

ILLUSTRATION: BINAY SINHA

# Automotive slump & industrial policy

## The sector is needed as a growth engine and a risk of collapse needs to be averted

Mention "industrial policy" and there are strong reactions: An angry buzz from free-market enthusiasts, or approval from the diminishing ranks of believers in government intervention. But as economist Dani Rodrik observed over a decade ago, reality has not been kind to either set — neither the belief that the way forward (for developing economies) is through strong government interventions, nor the belief that it is best for the government to stay entirely away from the economy. Although there were successes sometimes with import substitution, planning, and state ownership (a case in point is Indian Space Research Organisation), these practices were often overdone or became inflexible, leading to failures and crises. Likewise, liberalisation benefitted some sections of the economy such as exporters, financial intermediaries, and some skilled workers, but often fell short of economy-wide growth.[1]

SHYAM PONAPPA

Another topic on which opinions differ strongly is whether development should focus on comparative advantage based on factor endowments, or if structural changes should be attempted through the support and extension of infant-industry protection, as for example in manufacturing electronics and telecom (ICT) equipment in India. In 2009, the Overseas Development Institute in London organised a debate between Justin Yifu Lin, then chief economist at the World Bank and formerly the director of the China Centre for Economic Research at Beijing University, in favour of comparative advantage, and Cambridge University's Ha-Joon Chang speaking for infant-industry protection. Interestingly, both favoured strong government intervention, although in different ways.[2] Mr Lin was for facilitating comparative advantage, while Mr Chang was for treating comparative advantage as a base line to be defied for a country to upgrade its industry.

Industrial policy has many interpretations. There is the "horizontal" notion of basic infrastructure, that is like a rising tide for all aspects of the economy (although the sheer location, proximity and form of infrastructure itself create biases for the favourably affected and against those that are not). The opposite is state planning and control for verticals (picking winners). In between is a mix of degrees of enabling government regulations and support (tax incentives and disincentives, labour regulations, financial consideration, land allotment/zoning or acquisition) and of coordination with the private sector. These can be limited to industry and manufacturing, or more broadly, extend to all economic activity, including agriculture, dairy farming, and services.

Historically, a degree of industrial policy has been practiced everywhere. In the US for example, in the Reagan years (1980s), the Defense Advanced Research Projects Agency (DARPA) created consortiums of government and private sector participants for coordinated action. One was the Semiconductor Manufacturing Technology (SEMATECH) consortium with companies such as Intel and Texas Instruments, to revitalise the US semiconductor industry by reducing manufacturing costs and product defects. Another was The National Center for Manufacturing Sciences (NCMS) for the development of an advanced machine tools and automation industry. Another, Project Socrates[3], was a classified programme to ascertain the causes for America's declining competitiveness, and to develop solutions to re-establish US dominance. Their conclusion was that the US was losing its technology-based ability to compete, because decision-making after World War II transitioned from technology-centric planning to finance-centric planning. Success for the latter is measured by financial returns, whereas for technology-based planning, the objective is to use technology to gain competitive advantage and satisfy customer needs (which presumably leads in the long run to better returns). The Bush administration terminated Project Socrates in 1990, as it was considered an interventionist industrial policy (picking winners) when free-market ideology was ascendant.

### Industrial planning and India's automotive sector

In 2006, the Ministry of Heavy Industries embarked on an initiative conceived in 2002 in consultation with the automotive sector. The Automotive Mission Plan (AMP) 2006-2016 was a programme across government agencies, industry participants, and academics, to make India a global hub for the automotive industry. It was successful despite the slumps of 2008 and 2013-14, and employment increased from 10 million to 32 million by 2016. The next phase is under way through AMP 2016-2026 (*http://www.siamindia.com/cpage.aspx*), aiming to increase exports more than double to 35-40 per cent of output, and employment by 65 million. Momentum has declined in the last year, however, because of a number of adverse factors. These include confusion and uncertainty regarding policies on diesel and electric vehicles, trade tensions, slowing gross domestic product (GDP) growth here and abroad, higher costs from mitigation strategies and taxes, and funding constraints arising from problems in the financial sector.

With a slowing automotive sector and reports of possible layoffs in large numbers, is urgent policy intervention needed? Some observers think so, while others dismiss the slowdown as cyclical, and reports of distress as exaggerated, to seek concessions to improve profits. Let us recognise that India isn't comparable to Organisation for Economic Co-operation and Development (OECD) markets. For instance, car ownership in India was under 27 per 1,000 in 2017, compared with several hundred in the OECD countries. That's the potential for employment to grow, provided industry stays profitable, and investments happen as planned (without denying the downsides: Of mitigating for environmental impact, fuel imports, and having to build more roads).

There is little doubt that India needs the automotive sector as a growth engine. Given its impact on employment in manufacturing and the economy through all the feeder industries and ancillaries, if there is a risk of collapse as in telecommunications, construction, and finance, it needs to be averted if possible. With corporate profits down to 3 per cent of GDP in 2018 from 7.8 per cent in 2008, the government needs to deal with ground realities. The facts must be evaluated to take corrective action if necessary.

There are relevant case studies on possible corrective action, such as a report on steps the USA, France and China took after 2008: "Shifting Gears: Industrial Policy and Automotive Industry after the 2008 Financial Crisis".[4] Our primary requirement is a stable and supportive regulatory environment. Changes, such as policies for electric vehicles or for diesel vehicles, need to be through collective consultation processes. The automotive sector has the Automotive Mission Plan 2016-2026.

1. *Rodrik, Dani: "What's Driving Populism"*, Project Syndicate, *July 9, 2019*, https://www.project-syndicate.org/commentary/economic-and-cultural-explanations-of-right-wing-populism-by-dani-rodrik-2019-07
2. *Lin, Justin and Chang, Ha-Joon: "Should Industrial Policy in Developing Countries Conform to Comparative Advantage or Defy it? A Debate Between Justin Lin and Ha-Joon Chang"*, Development Policy Review 27 (5), *2009, pp 483-502*, http://siteresources.worldbank.org/INTRANETTRADE/Resources/Internal-Training/287823-1256848879189/LinChangeDPRDebateIndustrialPolicy.pdf
3. *See* http://quadrigy.com/background.html *for the private sector successor corporation*
4. *Seung-Youn Oh: "Shifting Gears: Industrial Policy and Automotive Industry after the 2008 Financial Crisis"*, 2014, https://repository.brynmawr.edu, 2014, https://repository.brynmawr.edu/cgi/viewcontent.cgi?article=1028&context=polisci_pubs

# The G-Minus-2 threat

For an all-too-brief period between the late 1980s and the late 2000s, the world was characterised by convergence, both ideological and economic. The West and the Rest agreed that an open liberal order was the best way to increase prosperity. Now, however, this ideological order threatens to unravel, with adverse consequences for the world economy.

The two-decade-long "golden age" was one of trade hyper-globalisation, reflected in an unprecedented increase in the ratio of world exports to gross domestic product (GDP). It was also an era of economic convergence: For the first time in centuries, living standards in a broad cross-section of developing countries started catching up with advanced-economy indicators. Moreover, globalisation and convergence were handmaidens: Open markets enabled developing countries to prosper by building up modern, efficient, export-based industries. And no country benefited more from hyper-globalisation than China.

ARVIND SUBRAMANIAN & JOSH FELMAN

The liberal order underpinning this era was largely created by the US. Exactly 75 years ago, when both the economic turmoil of the 1930s and World War II were fresh in the collective consciousness, the US was able and willing to supply three vital global public goods through the postwar institutions created at Bretton Woods. Emergency finance would come from the International Monetary Fund, and long-term lending from the World Bank. Above all, open markets would flourish under the General Agreement on Tariffs and Trade (and its successor, the World Trade Organization). It was a G1 world, and America was the unchallenged hegemon. Today, we have neither a G1 world nor ideological convergence. Because of its spectacular growth since 1978, China has become the second dominant economic power alongside the US (Europe is still too decentralised and beset with internal problems to wield strategic influence). And the consensus about what constitutes good economics has broken down.

In the West, and especially the US, a series of negative economic trends — including slower growth, rising inequality, declining mobility, and greater concentration of economic power — have called into question the benefits of globalisation. In addition, the 2008 global financial crisis and its aftermath have undermined faith in American-style capitalism. China's rise, and the perceived consequences for America, has also stoked US skepticism about globalisation. A broad swath of US elite and public opinion believes that China has abused America's largesse, via currency manipulation, intellectual-property theft and espionage, and forced technology transfer. Furthermore, China's recent tilt toward statism and political repression adds to a broader US sense of betrayal, and of an investment in shared prosperity that has gone badly wrong. This discordant G2 world and the end of ideological convergence now threaten *economic* convergence, and thus developing countries' prospects.

The "golden age" of convergence had, in any case, already started to face headwinds. First, climate change poses risks to developing countries' agriculture. Problems in this sector will reverberate throughout these economies, because high and rising agricultural productivity has been the key to successful structural transformations from farming to manufacturing. In addition, the spread of technology-enabled automation is replacing unskilled labor with machines, directly threatening the ability of poorer countries to lift incomes through labor-intensive manufacturing. But the biggest threat comes from an ideological decoupling between the West and the Rest. The G2 of China and the US, instead of supplying the key global public good of open markets that the economic historian Charles Kindleberger saw as the responsibility of hegemons, is now providing global public "bads."

As the US and China impose tariffs and trade restrictions on each other's goods, and as the US undermines multilateral trade rules and institutions, world trade is slowing markedly, threatening developing countries' export sectors and the viability of their overall development strategies. At the same time, the US and other Western governments are clamping down on migration. As a result, developing countries are boxed in, and will find it increasingly difficult to export their products or their excess labour. American repudiation of the Paris climate agreement does not bode well for the poorer countries who will bear the brunt of the consequences of global warming. That situation is dire enough. But perhaps the most critical "bads" provided by the US and China are the most subtle. America's unilateral measures, which flout the global rules that it helped to devise, have begun to damage the Bretton Woods institutions and the associated system of international cooperation. China, meanwhile, is a hobbled hegemon, having become dominant without acquiring genuine international appeal.

Moreover, hegemons need to provide open markets. Yet China is not offering enough export opportunities for poorer countries, even though it previously benefited greatly from deeper trade links with more advanced economies. The Chinese government's recent turn toward self-sufficiency and promoting domestic champions is contributing to the rapid decline in the country's imports. To be clear, China is entitled to pursue a development strategy that has aided its extraordinary rise. But the country cannot be a benevolent hegemon if it insists on maintaining a protectionist stance that deprives the global system — and other developing countries — of key public goods. The US-dominated G1 world is long gone, and the G2 system in which the US and China shared hegemonic responsibilities is now fading into memory. Instead, we live in a *G-Minus-2* world in which the two hegemons, instead of providing the Kindleberger global public goods of cooperation, are doing exactly the opposite.

Understandably, developing countries have begun to ask some pointed questions. What will happen to the global economy? How will we weather the next round of global turbulence? And does it even make sense to talk about cooperation when the two leading global protagonists are undermining multilateralism and the institutions that sustain it? Consumed by their quarrel, the US and China have so far provided no answers to these questions. There is an old African proverb that says "when the elephants fight, it is the grass that suffers." Right now, the rest of the world is very afraid.

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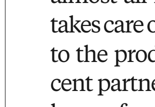
# Half-hearted angst



BOOK REVIEW

CHINTAN GIRISH MODI

The jacket of Salman Khurshid's new book proclaims that *"Visible Muslim, Invisible Citizen* explains Islam to those non-Muslims who do not know enough about it, places the identity of the Indian Muslim in the context of Indian democracy, and deciphers the Muslim in social and political contexts, beyond theology." Only a man with credentials as impressive as Mr Khurshid's could venture to write a book so ambitious in scope. He is an illustrious Muslim politician who has served the Government of India on multiple occasions, holding important portfolios such as external affairs, law and justice, and minority affairs. He also runs the Zakir Husain Memorial Trust named after his maternal grandfather, who was not only the third President of India but also Vice-Chancellor at Jamia Millia Islamia and Aligarh Muslim University.

Despite all that access and influence, Mr Khurshid has churned out a book that offers nothing new, insightful or thought-provoking by way of historical analysis or a vision for the future. He comes off as an apologist for the Indian National Congress, the political party to which he owes allegiance, and not as an enlightened commentator who can speak authoritatively on matters concerning the diversity of Muslim citizens who live in India. While addressing the possibility of a uniform civil code for India, which might conflict with Muslim personal law in relation to marriage and separation, he wonders if India is ready to legalise same-sex marriage following the lead of other countries. He does not take into account the fact that a significant number of young Muslims are now organising around LGBTQ rights. These are Muslims who are negotiating with their faith on the one hand, and their sexual orientation or gender identity on the other, through democratic institutions. Their voices are absent from Mr Khurshid's book.

Mr Khurshid engages with the question of citizenship only insofar as it concerns the equation between the individual and the state. He seems fairly uncritical of the role of patriarchy in determining how Muslims — women in particular — access their rights as citizens. The book makes a passing reference to the work of Bohra women who have begun to challenge the practice of female genital mutilation in their community. Mr Khurshid frames this as an issue of faith versus claims of constitutional right to dignity, instead of clarifying his position on this issue or providing space to the perspectives of these women. They are actively resisting oppression, and creating spaces of solidarity for survivors. Mr Khurshid refers to gender justice only while engaging with the triple *talaq* debate and, here too, he dismisses it as a ploy by the Bharatiya Janata Party (BJP) to inflict injustice on Muslim men.

The fact that Muslims are more vulnerable to violence as a result of cow vigilantism, and the paranoia around the so-called love jihad, is well-documented. It is crucial to bear witness to what is happening right now under the watch of the BJP but it is shocking to see Mr Khurshid use it as a ruse to cover up his party's complicity in the Sikh genocide of 1984. He writes, "It was not easy to stifle the careers of Jagdish Tytler and Sajjan Kumar, both of whom retain considerable popularity, including among a section of Sikhs, despite decades of criminal proceedings and Commissions of Inquiry. The dogged pursuit by activists and the expectation of politically correct behaviour by party colleagues forcing conspicuous aloofness about them must have had a heavy impact on their morale." He makes a connection between Indira Gandhi's assassination and this genocide but conveniently omits any mention of Operation Blue Star.

*Visible Muslim, Invisible Citizen* appears half-hearted, insincere, and hastily written. It reproduces large chunks of material from Mr Khurshid's previously published writing, and also from newspaper columns written by various commentators. Instead of exploring policy mandates and civil society responses that would uphold the rule of law, improve socio-economic indicators for Muslims, and also address deeply entrenched societal prejudices, Mr Khurshid ends up using this book as a platform to come clean on controversies that have got him into trouble with his own party members, fellow Muslims, or the media.

"Muslims constitute 14 per cent of the country's population, but only 8 per cent of the police force. On the other hand, they represent 21 per cent of the total under-trials and 16 per cent of all convicted prisoners," writes Khurshid. What are the structural barriers faced by Muslims who want to enter the police force? How can this situation be remedied? What kinds of offences are these people undergoing trial for? How can anti-discrimination training for the police force ensure that Muslims are not falsely implicated? Mr Khurshid leaves us with the statistics but does not ask any of these questions even as he talks about Muslim men killed in fake encounters. The weakest part of this book, however, is the moment when Mr Khurshid advocates the urgency to modernise Islam, and the model he comes up with is Crown Prince Mohammed bin Salman Al Saud of the Kingdom of Saudi Arabia.

**VISIBLE MUSLIM, INVISIBLE CITIZEN**
**Salman Khurshid**
Rupa; pages: 308; price: ₹595