

Develop corporate bond market sustainably

The stunted development is rooted in structural issues with the economy and not the structure of markets



DIVA JAIN

India has a bank-based financial architecture. In the belief that India's growth requirements necessitate a market-based financial architecture, the government has been eager to develop a corporate bond market to force a transition to a market-based system. While such a belief is questionable since neither Germany nor Japan needed a corporate bond market to fuel development, the forced development of a corporate bond market has predictably run into several market hurdles.

In a highly informative RBI paper titled "India's Corporate Bond Market: Issues in Market Microstructure",

Shromona Ganguly provides significant insight into the state of India's nascent bond markets. Liquidity is shallow, a majority of the bond sales are through the private placement route; old, established and high rated firms in the financial and infrastructure sector dominate issuances and secondary market trading activity and a large majority of bonds outstanding are short- to medium-term (two to five years) in tenure.

To surmount these issues, the government has considered several predictably high handed options. These include giving regulatory recognition to low rated debt, nudging corporations to access at least 25 per cent of their debt funding through bond markets and employing a credit enhancement guarantee fund to facilitate low rated issuances. These measures carry a significant amount of risk. The savings and loans crisis of the 1980s precipitated by "junk bonds" should serve as a warning against giving regulatory recognition to low-rated debt.

Similarly, forcing firms to access 25 per cent of their debt capital from an illiquid market will raise the cost of their funding and will compel them to forgo

otherwise positive NPV projects thereby depressing investment. Lastly, the 'starving' role that firms offering credit enhancement such as Freddie Mac, AIG and MBIA played in the crisis of 2008 casts significant doubt on the sensibility of using a credit enhancement guarantee fund to jump-start corporate bond markets in India.

What the government needs to realise is that markets develop organically and they cannot be synthesised in a petri dish with artificial albeit strong stimuli. The two most important nutrients for the development of markets are information and institutions. Any debt contract suffers from a moral hazard problem. This arises from the information asymmetry (in favour of the borrower) between the lender and the borrower. The banks play a critical role in ameliorating this information asymmetry through monitoring. Theoretically, banks are supposed to have superior information about the borrower and greater access to the inner workings of its business compared to an average investor in the market.

Needless to say the information asymmetry between borrowers and

lenders in India is much wider than in developed countries. This immensely amplifies the moral hazard problem. As the recent fiasco (among many others) involving PNB and Bhushan Steel shows, Indian banks have time and again failed miserably in their monitoring role. The question arises is that when a large established bank with immense resources cannot monitor and control moral hazard in lending to crooked Indian businessmen, why will an individual investor in an atomistic market lend to Indian businesses unless they are large, well-established and highly rated. This is exactly why the development of the Indian corporate bond market is skewed.

The reason we don't see low-rated issues from smaller, younger, non-financial firms in the Indian bond market is not because of lack of supply as the government believes but because of the lack of demand. Investors don't trust these issuers and do not have enough information to ex-ante evaluate good issuers from bad.

The second ingredient for the successful development of markets is institutional integrity. In a comprehensive cross country study, Ross Levine and Asli Demirgüç-Kunt (*Financial Structure and Economic Growth — A Cross Country Comparison of Banks, Markets and Development*, MIT Press, 2001) show that

market-based financial systems develop in countries that have strong protections for minority and small investors, good and robust accounting systems, efficient legal processes and low levels of corruption. In other words, market-based systems develop in countries that have high institutional protection for investors.

As India lags significantly in all these areas potential investors in the corporate bond market demur at the prospect of assuming the risk that the lack of institutional protection exposes them to in fractured bond markets, forcing firms to seek funds from banks. Once again, the stunted development of Indian bond markets is rooted in structural issues with the Indian economy and not the structure of markets.

In sum, while transitioning to a market-based system is a commendable goal with many benefits, such a transition cannot be forced on an economy that is structurally devoid of institutions and mechanisms required to support free and functioning debt markets. Instead of synthesising bond markets with steroids loaded with economically distortive incentives, the government should invest its energies in tightening legal, accounting, regulatory, disclosure and governance standards and watch the corporate bond market bloom on its own.

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CHINESE WHISPERS

Lithuania connection



Vice-President M Venkaiah Naidu (pictured) is on a five-day visit to the Baltic nations of Lithuania, Latvia, and Estonia. On the second day of his visit on Sunday, Naidu

was in the Lithuanian capital, Vilnius. Addressing the Indian diaspora there, Naidu said Lithuania had a special place in the heart of Indians because Mahatma Gandhi's closest friend and soulmate, Hermann Kallenbach, was from Lithuania. Naidu thanked the Lithuanian government for commemorating their friendship by installing a sculpture of Gandhi and Kallenbach near the latter's birthplace in Rusne. The statue, funded by Cipla Chairman Yusuf Hamied, was unveiled in 2015. Hamied's mother, Luba Derczanski Hamied, was a Lithuanian Jew, and a plaque on the statue records that it was "donated by the Yusuf and Farida Hamied Foundation in memory of Luba Derczanski Hamied (born February 3, 1903) who lived in Vilnius Lithuania till 1928 and thereafter in India until her demise on 4th April 1991".

Tongue in cheek

To set right the reverses the Trinamool Congress (TMC) suffered during the Lok Sabha elections, the party is banking on its past association with political honchos — even rivals — to project itself as progressive. With young voters as its target, a campaign has been released on social media. No political campaign is ever complete without satire and this campaign by the TMC, *Amar garbo Mamata* (Mamata, my pride), or AGM, too, has its share. Taking a dig at the Centre after the Income-Tax Department asked various puja committees to file returns, one of the AGM series ads on Twitter shows goddess Durga being urged by a tax official to file her I-T returns. A message at the end of the post asks if the goddess now needs to also apply for her PAN and Aadhaar cards.

Anxious Sunday

The murmurs of the first-ever cabinet expansion of the two-year-old Yogi Adityanath government in Uttar Pradesh (UP) — initially speculated to take place on Monday — kept Bharatiya Janata Party (BJP) ministers and legislators on their toes all of Sunday. While "good performers" were eyeing a promotion, laggards were anxious that they were not in the line of fire. That as many as 14 more ministers would be accommodated in the council gave hope to many. The party leadership had advised its ministers and legislators to be present in Lucknow on Monday morning. However, late on Sunday night it was "informally" conveyed to all that the purported expansion had been postponed because former Union minister and senior BJP leader Arun Jaitley remained critical.

Sunrise for solar rooftops

The sector has grown rapidly over the past year just as capacity addition from ground-mounted utility-scale system has slowed

JYOTI MUKUL

India's solar power sector is seeing two parallel capacity addition movements, the pace of which are neither connected nor bring in any predictability to the government's renewable energy target. One is the traditional ground-mounted utility-scale solar systems that put their entire power into the grid; the other is rooftop generation, that can be either standalone or connected to the grid.

India is aiming to install 100 Gw of solar power by 2022, of which 40 Gw is to come from solar rooftop. Over the past year, it is solar rooftop installations that have seen a record addition, with large-scale ground-mounted installations facing challenges ranging from the abrogation of power purchase agreements by state electricity boards, land acquisition, payment issues and increase in safeguard duty on panel imports.

As of May 31, 2019, India's installed solar power capacity was 29.4 Gw out of a total renewable capacity of 79 Gw. According to a report of Bridge to India, a renewable energy consultancy, the country is estimated to have added a record 1,836 Mw (1,000 Mw = 1Gw of rooftop solar capacity in FY 2019, taking the total to 4,375 Mw. This is still just 15

per cent of solar power generation but as the Bridge to India report points out, "Rooftop solar continues to grow rapidly, registering a growth rate of 61 per cent over the previous financial year." Maharashtra (618 Mw), Rajasthan (393 Mw), Tamil Nadu (365 Mw), Gujarat (314 Mw) and Karnataka (298 Mw) are the top rooftop solar power-generating states.

This pace in harnessing solar energy on the roof itself is in contrast to utility-scale grid-connected solar,

where Bridge to India data show that capacity addition fell to 4,810 Mw in FY2019, a steep fall of 47 per cent over the previous year. As on March 31, 2019, another 17,887 Mw of utility scale solar projects were under various stages of execution.

To be sure, at least part of the reason for the surge in rooftop solar is the low base. Nonetheless, there has been a surge in rooftop capacity addition, both from the government and individual companies and organisations that are focused on reducing their carbon footprint.

According to Energy Economics & Financial Analysis (IEEFA), a philanthropic venture fund focused on clean energy, though India installed 28 Gw of solar capacity as of March 2019, a four-fold increase in less than three years, the share of rooftop solar was just 14



LIGHT AND POWER

TARGETS FOR 2022

100 Gw For solar power

40 Gw For rooftop

INSTALLED CAPACITY

(As of May 31, 2019)

29.4 Gw Solar power

5,375 Mw Rooftop power

CAPACITY ADDITION

(in %, FY19 over FY18)

61 Rooftop solar

-47% Ground-mounted utilities

Source: Bridge to India

per cent of the cumulative solar installation in India, reaching 3,855 Mw by December 2018. This is far away from the envisaged 40 per cent share. Madhya Pradesh's recent experience points to some of the challenges.

After taking up the ultra-mega Rewa solar park with a combined capacity of 750 Mw, Madhya Pradesh embarked on a solar rooftop programme last year, under which government buildings, universities and institutes were bid out for solar rooftop contracts on a Resco (renewable energy supply company) model, where the customer neither owns the system nor makes any investment. The rooftop plant is put up and operated by a Resco developer. "The reason the rooftop model picked up was that the tariffs that emerged were very low," explains Manu Srivastava, principal secretary, renewable energy, government of Madhya Pradesh. The state discovered ₹1.38-2.17/kWh (net of

capital subsidies) in its 8.6 Mw solar rooftop auction held in October 2018. This was far lower than tariffs discovered earlier. In 2012, a Central Electricity Regulatory Commission guideline had estimated cost of building a 1 Mw plant at ₹8 crore, from ₹16.9 crore in 2010-11. This translated to power cost of ₹7-8 per kWh. In 2016-17, the cost was again notified higher at ₹12 crore for 1 Mw. More recently in April 2019, Solar Energy Corporation capped rooftop solar tariffs in the range of ₹2.5 to ₹3.5 per kWh.

Srivastava, however, says there are more regulatory challenges in rooftop solar projects because the developer is "standing against the distribution company" by taking away part of its business. "The electricity bill of buildings tend to be reduced by one third in some cases. So roof-top generation by customers makes sense only when a discom suffers a power deficit," he

ON THE JOB

Reforming labour statistics



MAHESH WAS

proper sub-set of work.

Work is now defined as one of five types of activities. One of these, work for pay or profit is employment. The other four are not employment but are still work. These are work for production of goods (such as food) or services (such as child-care) for own-use including family; work without pay or profit as a trainee, a volunteer or any other unpaid work. This structure eliminates the rather obnoxious "inactive" classification for people who worked pretty hard but worked selflessly.

This framework makes a big difference in the way we understand the contribution of women in the space of work. Because of the way society is organised, women do a lot more selfless work, without any payments and without any motives of profits, than men do.

In India, it is apparent that women spend a lot more time on work that does not relate to employment activities than they do in other parts of the world. It therefore makes more sense for India, compared to any other country, to capture the distribution of work in addition to the distribution of employment.

The draft report of the Task Force on Improving Employment Data released in July 2017 nearly four years after the 19th ICLS recommendations makes no mention of the recommendations, or any recommendations of any ICLS. The Periodic Labour Force Survey conducted in July 2017 through June 2018 also does not mention the 19th ICLS although it does refer to the earlier ICLS recommendations. But the NSSO has

been debating these recommendations. So it is likely that it will take these into consideration in some form, eventually.

As the official system considers aligning its practices with the recommendations of the 19th ICLS, it may also consider modifying appropriately, two practices in the official collection of labour statistics that render the data less reliable than they can be.

First, it must do away with the priority rule in assigning an employment/unemployment status to a person. Currently, in the official statistical system, a person is assigned the status of being employed in precedence over any other status if the time-distribution shows mixed statuses including employed, during a reference period.

There is no justification for assigning a priority to one particular observation of the employment/unemployment status of a person over other observations during an observation period. This is arbitrary or worse still, it is prejudiced. It necessarily inflates the employment estimate. Such inflation of employment status happens mostly for women because women flip-flop between employment and unemployment and even between being in the labour force or being out of it within a reference period. Just a little employment during the reference period classifies them as employed only because of the priority assigned to this status.

The second and related problem is the reference period and the extremely low "requirement" to be classified as employed. One needs to be employed for only one

hour in a reference period of seven days to be classified as employed. While this is the international practice, it is ridiculously low.

An extremely low bar of just one hour in a week and the priority criterion prejudiced in favour of employment together ensure that women who do just a little work for pay or profit or for a family business including agriculture, get classified as employed. It is a shame that the female work participation rate is still abysmally low. But it is worse that statistical contortions do not help us understand the problem adequately.

CMIE's CPHS does not assign any such arbitrary priority of one status over another and it uses the reference period of just one day. It considers a person to be employed if the person is engaged in an economic activity which is for pay, profit or for a family business including agriculture even for own consumption. This fairer treatment is the root cause for the CPHS estimates of employment among women to be much lower than the official estimates.

Going forward, CPHS aims to adopt some of the ideas of the 19th ICLS recommendations.

Beginning September 2019, CMIE's CPHS will start capturing the time-distribution of activities of adult members of a household in addition to capturing the employment/unemployment status. Results will be released from January 2020.

As usual, the CPHS system would emphasise simplicity in capturing the information and speed in the delivery of results.

The author is the MD & CEO of CMIE

LETTERS

Why just the CBI?



This refers to the statement of the Honourable CJI that the "Central Bureau of Investigation (CBI) failed in judicial scrutiny in politically sensitive cases". In that context, the CJI said: "CBI should be given statutory status through legislation equivalent to that provided to the CAG". Now the legislation provided for the Comptroller and Auditor General of India (CAG) is called the CAG Act (Duties and rights of CAG) passed in 1971 and amended in 1976. It only enumerates where CAG can act, what are his functions etc. There is nothing to protect him from political interference. If none actually interferes with the CAG, it is not because of this Act but because he holds a constitutional post and also he does not do investigation in criminal cases or cases of export of meat by highly suspect characters. Obviously, this sort of Act regarding the CBI will not give it any protection from interference from the political heavyweights.

Frankly, no Act of Parliament can give any protection to officers from political interference. Such interference is not done in writing or in public. The officer is called and told to do this or that, not always by the political boss himself/herself but (may be) by the secretary of the department concerned or somebody else who

counts. I know these things for certain having been an ex-insider. In a government where the strict and honest officers are asked to compromise where intellectual honesty is hardly existent, none should expect very strict and honest officers to reach the highest of height. Ours is a country where in the Supreme Court, senior lawyer Prasant Bhusan declared openly that half of all the Chief Justices of the Supreme Court were dishonest and he gave a sealed cover containing the material against them and no contempt proceeding has been initiated against him. So expecting that only the CBI officers will be the epitome of virtues, is sheer wishful thinking.

The character of people must change and that will take a long time.

Sukumar Mukhopadhyay via email

Unacceptable

It was a crying shame that in some schools in Tamil Nadu students were made to wear colour-coded wrist bands as "caste markers", as distinct from religious threads. The wrist bands — which came in hues of red, yellow, green and saffron — were giveaways of the wearers' caste identity. How students were looked at and treated (with respect or contempt)

depended on the wrist bands they wore. To be branded like animals is the ultimate humiliation. There can be nothing more dehumanising and degrading than designating pupils as lower castes and higher castes. The practice underlines that there is no hope of escape from caste even for school kids. It widens the rifts between castes. It is a stain on the so-called proud culture of Tamil Nadu.

We are at a loss to understand how it became possible for the All India Anna Dravida Munnetra Kazhagam, a party with roots in the Dravidian movement, to validate the naked display of caste discrimination. The humiliation of lower caste people is accepted as a social and cultural norm. Caste is premised on the notions of purity and pollution and superiority and inferiority. It negates the noble idea of equality contained in a Tamil verse *Pirappu okkum ella uyirkum* — all lives are equal in birth. The emergence of a new India is not possible without breaking the hideous chains of caste.

G David Milton Maruthancode

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HAMBONE



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Nuclear confusion

Many questions surround dilution of no first use

On the first death anniversary of former prime minister Atal Bihari Vajpayee, the government called into question one of the major doctrines associated with his time in power. After visiting the site in Pokhran, where in 1998 the Vajpayee-led National Democratic Alliance government had conducted nuclear tests, Defence Minister Rajnath Singh tweeted: "Pokhran is the area which witnessed Atal ji's firm resolve to make India a nuclear power and yet remain firmly committed to the doctrine of 'No First Use'. India has strictly adhered to this doctrine. What happens in future depends on the circumstances." This is not the first time a Union minister has questioned no first use, or NFU. In 2016, Manohar Parrikar, then defence minister, had also expressed doubts about the policy, which has been official since 2003, when it was combined with the thread of "massive and intolerable" retaliation.

While fundamental elements of defence policy such as NFU are, of course, always open to question and must constantly be re-evaluated, the question is whether the value of both Mr Singh's statement at this point in time, and of the larger question of whether a shift in NFU is required, has been discussed enough in government. There are both theoretical and practical questions to be asked. Theoretically, the point of NFU is to set up a credible deterrent against other nuclear-weapons states, and to simply raise the nuclear threshold in order to bring stability to a volatile environment. It is part of an attempt to ensure that military action remains below the threshold that would cause a catastrophic nuclear exchange. War games have shown that it aids in preventing the deployment of tactical nuclear weapons by the enemy — battlefield nukes that, while tactically appealing, may very well lead to the sort of cataclysmic exchange of strategic nuclear payloads that both warring countries may wish to avoid.

It is worth looking at the history of NFU: It evolved in the context of the Cold War, during which the Warsaw Pact had an overwhelming advantage in conventional military terms within Europe. The North Atlantic Treaty Organization thus kept open the option of the first use of nuclear weapons in the context of an existential threat to Western Europe from a Soviet invasion across the Iron Curtain. But the Soviets, who held the conventional advantage, embraced NFU in 1983; after the USSR fell and Moscow's conventional advantage evaporated, the Russian Federation abandoned NFU. Given India's conventional superiority over Pakistan, therefore, NFU makes sense; the question is whether it would also make sense in a larger conflict.

These are, however, questions that should be discussed with care and take into account the state of India's conventional forces as well as its nuclear arsenal. Obscure statements such as Mr Singh's only create strategic confusion, which is not in the national interest. It is also worth noting that India's conventional advantage is being eroded, thanks to low defence spending, and that its nuclear deterrent is certainly not so overwhelming that military planners could be sure any first strike would wipe out an enemy's offensive potential. If the defence minister merely wanted to signal that a re-evaluation of nuclear doctrine — in keeping with the ruling party's 2014 manifesto — was ongoing, there are better ways of doing so.

Beyond aggregation

Food aggregators, partners must work out an equitable solution

The ongoing dispute between Zomato and restaurants can have widespread ramifications. In the past few years, the food service aggregator has pioneered the disruption of the traditional hospitality model, and has gained Unicorn status by running its online food delivery services across multiple locations in 25 countries. Apart from deliveries, Zomato also offers ratings and user-generated reviews for its partner-establishments. But its latest move has run into resistance from restaurants, with more than 1,200 of them in India logging out of the aggregator's discount programme, Zomato Gold. The move has been backed by the food and hospitality industry associations. In addition, many people in the hospitality industry have expressed dismay about the allegedly opaque nature of Zomato's ratings and reviews.

Zomato and its rivals such as Swiggy and Uber Eats have disrupted the hospitality industry, which lacked the logistical base or technological skills to address the demands of relatively affluent consumers who do not have the time to dine out. By taking their orders and delivering, Zomato and its peers created a win-win situation: Restaurants could cater for larger numbers while consumers got both the food and convenience they desire.

Efficiently performing this apparently simple task requires plenty of technological nous. Restaurants must be aggregated and sorted on the basis of multiple criteria, such as cuisine, price range, locations, and ratings. The logistics of pickup and delivery must be optimised so that most orders can be serviced in the least possible time by the least possible staff. Vast databases of customers have to be maintained with sensitive information such as contact numbers, email ids, physical addresses, credit card details, and fintech account details. The aggregator must securely process transactions on sundry online platforms, and accept cash on delivery with its inherent risks, and maintain payment schedules with its partner-establishments.

By doing this, Zomato and its peers have created new paradigms and enabled the hospitality industry to service a larger base. But the new model has also given the aggregators unprecedented leverage in dealing with restaurants. The aggregators can demand discounts, including the in-restaurant discounts that sparked this particular confrontation. They impose stringent time limits and penalise partners for overstepping set times. The aggregators collect and disburse all the payments. It has been alleged that they sometimes delay payments, causing a working capital crunch. Ratings and reviews are important because consumer choices are driven by these. These are generated and displayed, using algorithms that the hospitality industry claims to be opaque. One specific complaint is that the ratings appear to favour old establishments with established brands over newcomers.

Zomato has, like any disruptor, made its share of false steps and suffered its share of controversy. Breaches of its databases have put the data of millions of consumers at risk. It has had to face political issues around the religious sensibilities of its delivery personnel and consumers. Zomato Gold also may have been a major miscalculation because so many restaurants claim that it is unprofitable. In a broader sense, such frictions are inevitable when disruptions break down an established business model. Zomato's founder and Chief Executive Officer, Deepinder Goyal, has taken to Twitter, requesting restaurant owners to stop the logout campaign and urging them to initiate a dialogue with aggregators. The restaurant-partners should reciprocate because negotiating an equitable solution is in the interests of both.

What role for a tri-service chief?

The value of the Chief of Defence Staff will depend on whether he is able to trigger reform of higher defence management structures

Amidst a worrying economic slowdown, the government has made three major security-related moves over the last 15 days. First, it terminated the special status of Jammu & Kashmir (J&K) and bifurcated the state into two Union Territories. How much political resistance and violence this will unleash will only be known when the security clampdown in Kashmir is loosened. Second, in the realm of nuclear weapons, Defence Minister Rajnath Singh backed away from India's long-held doctrine of "no-first-use", declaring that New Delhi might initiate nuclear strikes in certain circumstances, which he did not spell out. Third, in his Independence Day speech, Prime Minister Narendra Modi announced he was appointing a Chief of Defence Staff (CDS) — a tri-service military commander, who would "make the armed forces even more effective."

So far, nothing has been divulged about the form and functions of the new CDS. It remains unclear whether he will be a five-star rank supremo to whom the three service chiefs will report, as recommended by the Kargil Review Committee in 1999 and a Group of Ministers in 2001. Or, will the new CDS be the watered-down compromise the Nareish Chandra Task Force proposed in 2012 — a four-star officer termed the Permanent Chairman of the Chiefs of Staff Committee (PCCSC), who would not be the boss of the three service chiefs, but merely the "first amongst equals" (whatever that means in practice). The creation of a five-star CDS, while only a first step, would signal that political will exists for the root-and-branch reform of higher defence management structures. On the other hand, creating a four-star PCCSC would immediately smack of tokenism. That is because little is to be gained from merely upgrading an already existing, and ineffectual, three-star tri-service chief by pinning another star onto his collar. Ultimately, the value of a CDS will

depend upon what powers and responsibilities he is given, and the additional reform this triggers.

What should be the tasks of the new CDS? The first is clearly to adjudicate between the army, navy and air force. That requires a five-star rank officer, since four-star officers currently head these services. Tough love will be needed, since each chief single-mindedly pursues his service's interests in the competition for turf and in core matters such as budget share. The CDS, therefore, must act as an "honest broker" whose decisions serve the broader national purpose, rather than narrow service interests. Furthermore, a CDS would constitute a single point of advice for the top political leadership.

Many senior generals, fearing that a CDS perched above them would encroach on their turf and limit their powers, pooh-pooh the notion that inter-service rivalries damage the military's functional efficiency. Typically, they trot out the example of cooperation in disaster relief operations to present the soothing (but false) argument that the three services join hands in crises, motivated by a common purpose. In fact, such cooperation is sporadic, as militaries worldwide have experienced for a century. When the US was fighting Japan in World War II, officials in

Washington remarked drolly that the most ferocious fighting in the Pacific Campaign was actually between the army commander, General Douglas MacArthur, and his naval counterpart, Admiral Ernest King. Further illustrating such fratricidal friction, General Eisenhower, who went on to become US president, wrote in his diary: "One thing that might help win this war is to get someone to shoot King." Eventually, after continuing inter-service dissonance during the Vietnam War, it took top-down political intervention to radically reform the American military's command structures, when President Ronald Reagan signed into law the Goldwater-Nichols Act in 1986.



BROADSWORD

AJAI SHUKLA

Development dilemmas, at home and abroad

India's development options are being shaped by dilemmas at home and monumental changes in the external environment.

Domestically, there is a seeming impossible trinity of jobs, growth and sustainability, where at best two out of three objectives get fulfilled. For instance, solar parks attract international investment in sustainable infrastructure but do not create as many jobs as distributed energy infrastructure. Scaling up natural farming is good for soil health, carbon retention and water conservation and is labour-intensive, but value addition in farm yields might not compensate for value loss in the fertiliser industry. With its substantial share of India's industrial output and millions employed in auto and auto ancillary industries, an aggressive move towards electric mobility is a big bet on emerging industries but will not be free of major trade-offs.

The external environment imposes further constraints on our choices. There is planetary-scale damage to natural ecosystems via climate change, biodiversity loss and unbalanced biogeochemical processes. Deindustrialisation, low productivity growth and rising inequality have made the West turn its back on global integration. There is weakened faith that market-driven growth can ensure social justice. Disruptive technologies — artificial intelligence, big data, automation, quantum computing, among others — are engendering national rivalries and spawning mercantilist approaches to acquire or protect technologies. And populism and nationalism in many countries are calling into question the bases of international order, with the stability of alliances, rules of diplomatic and military engagement, and the institutional structures needed to mediate conflict all under strain.

The confluence of an impossible trinity at home and natural, economic, technological and geopolitical disruptions globally raises at least seven major concerns.

1. Energy and resource security: The two are contingent on securing resources, safe passage, secure

storage and functional international institutions. Reducing imports of hydrocarbons, alone, will not suffice. There will be new interdependencies, such as trade in clean energy products and services or supply of critical minerals for batteries, which will demand credible trade relationships, secure supply chains and effective multilateral institutions.

2. Economic and environmental diplomacy: India demonstrated climate leadership via the Paris Agreement. It promoted the International Solar Alliance for cooperative energy security as the world undergoes an energy transition. Next month, India will host parties to the UN Convention to Combat Desertification. But these are episodic interventions. By 2022, when India hosts the G20 summit, it would need to integrate its interests on trade, finance and the economy with energy, climate and sustainability, setting a more consistent agenda for global governance.

3. Jobs and trade environment: The China-US trade war will continue to dampen global trade growth, so international trade will not be a big contributor to job growth for some time. India would have to turn even more to its domestic economy to create jobs. The energy transition offers

one of the best bets for new jobs in a slowing economy. **4. Climate risks and infrastructure investments:** India's growth is now intricately linked to climate risks. Investments in hard infrastructure, such as housing, transport and industries, especially along the coasts, will be severely at risk. With weather-related insurance losses mounting, already there are warning signs of climate change triggering the next financial crisis and the need for central banks to pay attention.

5. Border carbon adjustments and trade barriers: Trade disputes are plaguing clean energy, as countries scramble to grab their share of a growing market. Disputes over climate and energy will increase. By end-2019, the EU might get a deal for carbon neutrality by 2050. Once finalised, it is only a matter of time before it imposes border carbon adjustment taxes to penalise imports arriving from

In India, multiple examples of dysfunctional inter-service relations call for our own Goldwater-Nichols-type restructuring. For example, in the 1962 war with China, the air force was entirely left out of battle. The Indian Navy remained in harbour during the 1965 Indo-Pakistan war. General VP Malik, the army chief during the 1999 Kargil conflict, has recounted how he had to arm-twist his reluctant air force counterpart, Air Chief Marshal Anil Tipnis, into providing air support to the army during the early stages of fighting. Little of this disharmony would be addressed by merely appointing a CDS to languish in an "upgraded" integrated headquarters, without addressing the yawning gulf between the military and the defence ministry. The new apex body must incorporate all the elements — military, bureaucratic and financial — needed for swift and flexible decision-making.

Some tasks for the new CDS are self-evident. He must oversee long-term planning, especially the three services' manpower structure, command and communications, the weapons they would field and technologies that must be driven to build an indigenous arsenal. The CDS would need to "future proof" the three services by anticipating new technologies that might render an entire class of weaponry obsolete — as offensive cyber weapons and anti-satellite weapons threaten to do to contemporary command networks. Also, given India's internal dissonances, the CDS would need to balance between a military structured, trained and equipped for warfighting, and one geared for internal security tasks. Finally, he would save money by pooling facilities and resources all three services wastefully maintain today.

The most contentious question around the appointment of a CDS is: Should he oversee combat operations, heading a tri-service headquarters that synergises all three services' combat power? Or should combat operations be pursued by "geographical commands", each with its need-based complement of army, navy and air forces? Between them, the three services currently have 17 single-service commands, and proponents of geographical commands contend these could be effectively combined into just four tri-service geographical commands. For example, the Pakistan and China threats could be managed by the integrated western and eastern commands, comprising army and air force elements. Meanwhile, the Indo-Pacific maritime theatre could be addressed by the south-western and south-eastern commands that would be predominantly naval, but with components of air force and army troops.

The concept of tri-service, geographical commands offers distinct organisational advantages for a global military like America's, whose Central Command might be fighting a campaign in Iraq, even while its Pacific Command is engaged in a war with North Korea. The sheer distance between America's combat theatres requires each to be self-contained. In the Indian context, where the operational commands are in close proximity, it would be wasteful to emulate the American structure. It would be especially fruitless to pre-commit air force squadrons to fixed commands, since the large combat ranges of modern fighters (further enhanced by mid-air refuelling) make it theoretically possible for a fighter aircraft to take off from an airfield under one command, and strike targets in two other commands in a single sortie. Given this flexibility, it is no accident that the air force is the greatest opponent of fixed affiliations.

countries deemed to be not acting fast enough on climate change. The US, notwithstanding its weakened actions on climate change, could do the same. China might argue that its emissions will peak well before 2030. The resulting havoc in the global trading system would put acute pressure on India's energy choices and development options.

6. Domestic populism and geopolitical risks: The backlash against growing inequality within advanced economies is already resulting in myopic populism. Populist actions elsewhere could spill over into geopolitical risks for India in its Asian neighbourhood. The Iran-US confrontation is one example, which impacts India's energy security. China-US tensions are triggering other reactions, such as China's threats to cut-off rare earths supplies. Such examples of what scholars have called "weaponised interdependence" make it harder for India to navigate technological cooperation with other countries, enact strategic industrial policy and attract investment.

7. Perfect storm of shocks: In 2008, there was not just the global financial crisis but also a global food crisis. High energy prices, high-cost fertilisers, diversion of cereals to biofuels, declining food stocks, currency devaluations and adverse weather conditions led to rapid increase in food prices. India must prepare for a perfect storm of global shocks in future, involving water stress, agricultural losses, tensions over energy supplies, growing trade disputes, extreme weather events bankrupting insurance firms and financial institutions, and mass movement of environmentally-displaced people. A large-scale climate geoengineering experiment, say injecting sulphate particles into the stratosphere, could result in unanticipated consequences for precipitation, agriculture or biodiversity — and could trigger political conflict in a completely unguarded area.

To suggest that our development dilemmas could be easily overcome would be naïve. But they also present opportunities — for the rural economy, sustainable urbanisation and green industrialisation — that could help India gain new competitive edge. Time to make hard choices.

The writer is CEO, Council on Energy, Environment and Water (<http://ceew.in>). Follow @GhoshArunabha

The short and the long of it



KITABKHANA

T C A SRINIVASA-RAGHAVAN

Of late I have developed a preference for short stories. I hardly ever used to read them till about a year ago. Suddenly I find that now I am, and that it is pouring new authors whom I like. Or, perhaps, I have at last started looking at

the right genre of fiction.

My latest find is Shubha Mudgal, the mostly classical and sometimes film-song singer. Speaking Tiger, who published my first and last novel last year, have, as usual, once again shown good taste.

Ms Mudgal's short stories — 32 pages long on average — are every bit as good as her singing. As might be expected the stories are about music, the bad notes in it and all.

Ms Mudgal knows the subject from the inside. And she unerringly spots the ludicrous, the alarming and the contemptible aspects of the modern Hindustani classical music universe.

Her first collection is called "Looking for Miss Sargam". Speaking alliteratively, I might say that crass commerce and cynical chicanery come into cold contact with the calmly classical.

There are seven stories in all, each as fascinating as the other for the glimpses we get of the world of Indian music and the foibles, insecurities and vanities of the people who comprise it. Musicians, mavens, managers, marketers and mavericks tumble through them in a wonderfully honest and revelatory procession.

You simply have to read this book to see how things work in the production, distribution and marketing of music and how mass production as well as production for the masses has affected even the most conservative classical musicians. In the end it is the same old story: He who pays the performer calls the tune.

Well, so what? After all, if Pavarotti can sing with Bon Jovi and Celine Dion and Ravi Shankar could perform with the Beatles, why not some famous

Indian classical vocalists with some equally famous Indian playback singers?

Apeculiar problem

There is, however, a problem that I frequently face with collections of short stories. I am never able to read all of them at one go. This never happens with a novel.

But it does, unfortunately, with even the best of the short story writers. Even Jeffrey Archer who, as story tellers go, is in a class by himself.

This should not matter, except that one never goes back and reads the remaining ones. My limit is five in a row. Try as I might, I can't go beyond that.

As a result, I have a couple of dozen half-read collections at home. They remind me of Schrödinger's Cat, which doesn't exist till you see it.

But seriously, this is a serious problem not just for the reader but also for the

publisher. How many stories should make up a collection?

Publishers look at the number of pages because they worry about costs and pricing. So if they want a 250-page book, how many stories should there be? Ten stories of 25 pages each, 25 of 10 pages each or 50 of five pages each?

The answer depends on how you view a short story: Is it just for "time-pass" or do you have your sights on posterity? Can short stories ever achieve ever-lasting glory?

No outlet

I discussed this with a friend who told me to shut up and write a short story. I agreed and, for a model, I chose John O'Hara who used to write 1,000-word stories for American newspaper. The idea, perhaps, was to give commuters something to read.

He must have written a few hundred of them. They are absolutely wonderful

and have been published in various collections. He, certainly, has achieved everlasting fame.

On the other hand, there's me. Out of the 20 stories I have written so far, only four have been published.

This is because — hold your breath — there is no paper or electronic platform in India that publishes short stories anymore. None, at least, that I know of. So willy-nilly, writers have to publish collections which remain unsold for the most part.

Even this newspaper, in a rare show of bad judgement, has refused to publish mine. I would have understood if it had told me that they are terrible. Instead it says we just don't publish short stories but your other drive is welcome.

Imagine if *The Hindu* had told R K Narayan the same thing or the *New Yorker* to John O'Hara. Well, chaps, Frederick Forsyth's *Day of the Jackal* was refused by 35 publishers before someone took it on.

Opinion

TUESDAY, AUGUST 20, 2019



DIPLOMACY WITH PAKISTAN
Union Defence Minister, Rajnath Singh

Now, if talks are held, they will only be held on the issue of Pakistan-occupied Kashmir. There will be no talks on any other issue

Can boost exports even as global economy slows

This requires lowering taxes/other levies, cutting red tape, opening up mining, ensuring big MNCs invest in India

THE WORLD MAY or may not slide into recession, as many believe, but with US 10-year yields lower than those on 3-month paper and with China's industrial production at a 27-year low, global economic prospects don't look good. Not surprisingly, gold is up to a six-year high; and with the trade war between the US and China showing no signs of abating, indeed it has spread into more dangerous areas like theft of intellectual property, the global picture could get markedly worse. With such uncertainty, cross-border investments could also slow, further accentuating the slowing in GDP; though, with the US economy still growing at 2.1%, and unemployment at historic lows, there may possibly still be enough juice left to stave off the crisis.

At a time when the world is slowing, it is easy to conclude that there is little India can do in such a situation, especially when it comes to boosting its exports. That, however, is completely not true, indeed the US-China trade tensions gives India a historic opportunity to boost trade by, in the same way that China boosted its exports, by getting US firms to set up base here to meet global demand. As this newspaper has pointed out before, to cite the example of mobile phones where global trade is galloping, China-based production centres of firms like Apple account for half the global trade in mobile phones; and while Vietnam is snapping up several producers looking to diversify out of China, there could be a big opportunity here for India. Indeed, even when global trade was doing much better than it is today, India managed to miss the boat; in the last four years, India's overall exports of all good grew just 0.2% a year in value terms. Between 1990 and 2018, while India's exports grew just 18 times, Vietnam's rose 102 times, as a result of which its exports are 75% those of India today; these were a mere 6% in 1960. In other words, it is not how fast global trade is growing that is critical, it is seizing the opportunities this throws up.

Doing so, though, requires India completely reverse its current policy that is focussed on production for the local market since global biggies like Apple and Samsung are unlikely to move their entire production base to India for just the local market; India's local market for smart phones is just \$25bn as compared to the global export market of \$280-300bn. But getting global firms to relocate to India is not going to be possible when Indian corporate taxes for foreign firms are 43.68% while Vietnam's rates vary between 10 and 20%. Similarly, India has poorer infrastructure, higher electricity costs etc; ideally, any export policy needs to find ways to address this. India's labour laws, similarly, are a big source of frustration and low productivity; it is difficult to see how India can boost its productivity unless this is fixed. How important it is to get large MNCs to use India as a production base is best seen from the fact that the bulk of global trade takes place between companies; where the MNCs decide to locate their operations decide how much of a share each country gets. Anyone who doubts this needs to see just how India's exports of automobiles grew once Suzuki took control of Maruti and decided to use the India operations as part of its global value chain. Unless India is able to sharply increase the share of global FDI it gets, especially in the manufacturing sector, it is difficult to see how its exports can do well on a sustained basis.

Getting it right on ratings

Sebi does well to turn down a consent-plea by an agency

THE SECURITIES AND Exchange Board of India (Sebi) has done well to turn down a consent application by ratings agency ICRA relating to the IL&FS case. The fact is that ICRA, together with other ratings agencies, is guilty of failing to assess the financial crisis at the NBFC and not alerting the markets in time. Had the regulator agreed to the consent request, ICRA would not have needed to admit to the lapse. In other words, it would have got away with a 'not guilty' tag, which it does not deserve. Unless agencies are castigated, the system will remain weak.

The fact is, ratings agencies have been way too casual in their approach, failing investors and lenders. Much like the stable door being bolted after the horse has bolted, the downgrades came in in too late. Some of the blame for this must lie with the regulator since there seems to be no penalty whatsoever for the poor assessments or the delayed alerts. Which is why, it is important that, this time around, Sebi cracks the whip.

For the system to reform, the business model of ratings agencies needs to be revisited. If companies are able to pay their way to a good rating, it is a flawed model. Sebi must explore a model in which the investors pay for the ratings; that way the agencies will earn their revenues without having to compromise on the quality of their assessments. However, this too might not work because wholesale investors—fund managers—and lenders would also want any negative news to be delayed or not announced at all. That would help them maintain the value of the asset on their books—so the NAV wouldn't fall—and, in the case of banks, it would mean they need to provide less capital. In these days of cut-throat competition, there are few bankers and fund managers who are willing to take a hit, unless it is inevitable. To be sure, this is a conspiracy theory and, if there are enough checks and balances, Sebi can get investors to fall in line. It is, of course, important to ensure ratings agencies are able to generate adequate revenues so as to cover their costs and stay profitable. One suggestion is that companies continue to pay for the ratings and that a pool of funds be created from the fees; the rating agencies would then be paid from this corpus but the amount paid would be decided by an accredited panel of investors. The ratings agencies will say this is unworkable since they will have no control whatsoever over their revenues. That is a fair point because, to ensure the quality of its ratings, an agency must invest. Also, there is no guaranteeing the investors will be unbiased while allocating the fees to the ratings agencies. Perhaps investors—bankers, insurance companies, mutual funds, EPFO—should commission ratings assessments and pay for them jointly. That would ensure that no one fund manager influences the rating and, at the same time, the ratings agency would be assured of its fee.

DrugRAP

Instead of going after cartels and organised industry, Punjab is blaming the artistes

PUNJAB POLITICIANS SEEM to be ostrich-like about the state's drug problem. First, it was the needless controversy about *Udta Punjab*, where they were bent upon getting the film banned—or at least, have the title changed—instead of using the opportunity generated by the buzz around the film to talk about the rising addiction amongst the youth. Now, the state's tourism minister, Charanjit Singh Channi, has said that the state is mulling a law to take action against artistes who "glorify the use of drugs" through songs or films. In the minister's opinion, as children look up to these stars, any promotion or glorification on their part would attract more towards drugs. While there are studies showing that popular culture can influence drug experimentation, the research on popular culture driving usage is inconclusive. Besides, as data from the National Crime Records Bureau show, drug abuse has been a major problem in the state even before artistes started featuring drug-use in their lyrics or movies.

What the political class needs to realise is that the over-features of drugs in songs and movies reflects ground realities. According to BBC, a government study highlights that more than 860,000 young men in the state, between the ages of 15-35, had taken some form of drugs. Punjab feigning ignorance over the drug problem is the same as the US blaming video games for increased violence on the streets. In the US, it is the easy availability of guns that kills people, and not video games. Similarly, the easy availability of drugs in Punjab's to be blamed, and not artistes rapping about "weed".

REALITY CHECK

THE GOVERNMENT'S NUDGE TO LOOK AT THE BIGGER PICTURE DOES NOT ASSUAGE SHORT-TERM CONCERNS

What to do about the slowdown?

RENU KOHLI

New Delhi based macroeconomist
Views are personal



LAST FORTNIGHT HAS seen a glut of expert opinions concerned about slowing economic activities and suggestions to address the immediate problems. Most reflect a sense of panic and urgency! GDP growth, these commonly say, could decelerate further to 6% in FY20 from 6.8% in FY19; recovery could take one to two years, perhaps even more. It is the prospect of a slow recovery that is triggering panic, with the undertone the economy's potential might have fallen sharply. A debate has stirred on whether the slowdown is structural, cyclical or a combination of the two. The prime minister though, in a recent interview, almost brushed aside these alarming views, nudging everyone look at the big picture and brighter future ahead.

Are these opinions a bit premature? Two significant reasons suggest a degree of caution perhaps. First is the familiar divergence between volume indicators (captured by most lead markers) and the value-added captured by GDP estimates compiled by CSO. Indications from these two variable sets have often diverged, with subsequent revisions in the past, particularly in FY17. This should not be lost sight of. For all we know, value-added may be far more robust than the current weakness depicted by volume indicators.

Second, the GDP deflator—a mix of WPI-CPI inflation rates, applied with varying weights across GDP sub-components—has undergone a sea change (see graphic). The retail-wholesale inflation gap, which touched 10 percentage points (ppt) in September 2015, has sharply reduced to below 2 ppt since November 2016 as the two inflation rates converged. If at all there was an element of overestimation because of inappropriate deflator use, lower growth estimates could be reflecting some natural correction rather than an actual slowdown!

With this caveat, a summary of explanations about the slowdown and its nature is appropriate.

Causes, nature: One set of views emphasises adverse effects of high real interest rates. Another strand holds that past growth was excessively debt-fuelled; this has now run its course—consumers are exhausted by over-borrowing as the income boost from falling prices has worn off while businesses suffer converse effects of aggregated debt. Another opinion argues

that the demand from better-off consumers has peaked while low-income populations lack purchasing power for currently produced/imported goods; the concomitant structural distortions, therefore, require correction. Other reasons offered are dampened sentiments and animal spirits from aggressive government policies to increase taxes; the role of adverse demand shocks such as demonetisation; dragdown effects of reforms such as GST, RERA, etc, on specific segments; and the lingering twin balance sheet stress (banks and corporates). An adverse external environment is another explanation; some point to the inappropriate exchange rate policy impact on exports. There is also currency of opinion about risk-aversion, liquidity and lending squeeze caused by the persisting NBFC crisis, which is popularly held to have retarded private consumption.

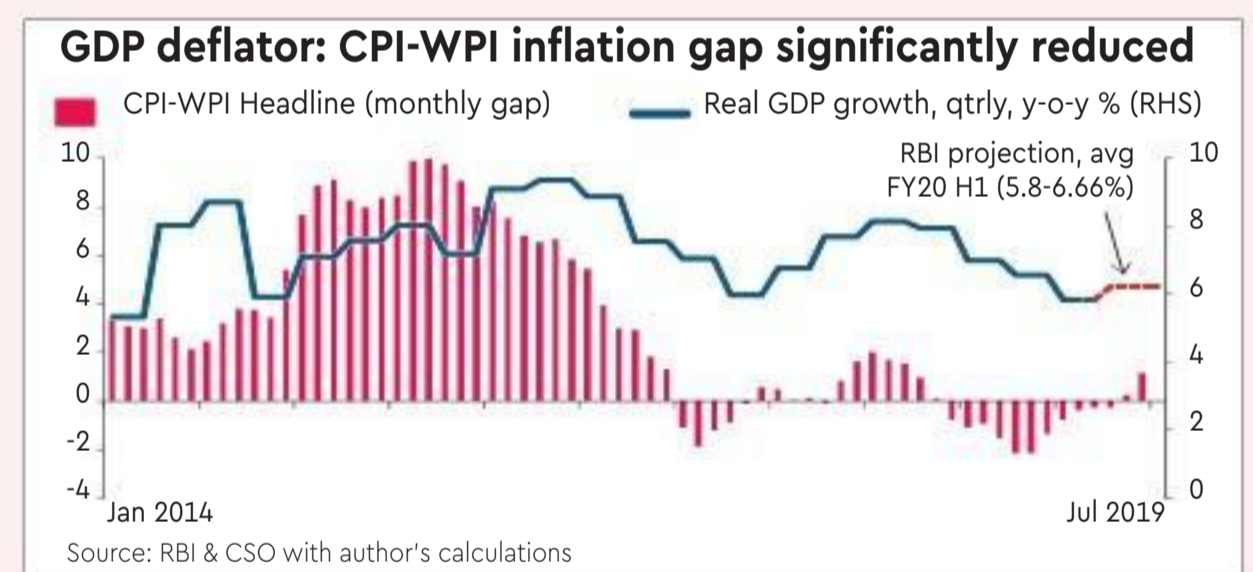
These insights are not analytically underpinned, e.g., corresponding aggregate fluctuations (GDP, interest rates, consumer spending, investment, employment levels, etc), if downswing is cyclical. Structural interpretations of the slowdown, too, require careful, deeper research.

Remedial policies: Many advocate aggressive monetary easing—another 100 basis points or more! For several years now, we have been sympathetic to

easier monetary policy. But, RBI Governor recently said a 50bps cut would've been excessive, 25 bps too little; therefore, the MPC settled for a 35 bps reduction—a Goldilocks solution. The RBI's intellectual ambivalence—fearful of inflation but implicitly desiring its return—is inexplicable when globally, central banks have failed to revive inflation; India is no outlier. One is not sure if RBI is willing to ease further unless inflation surprises on the downside. The finance minister, too, said both government and RBI are on the same page, indicating shared apprehensions about the inflation-growth trade-off.

Can India meaningfully devalue its currency for a competitive exchange rate? Impossible, given intense global scrutiny and prickliness about central bank interventions in forex markets. Further, lower imports resulting from weaker domestic demand and low oil prices could narrow the current account deficit. One should be content if the RBI can manage the rupee at current value given persistent capital account surplus.

What about fiscal policy? Fiscal rules, falling revenues, committed welfare spending and large extra-budgetary borrowings for revenue-capex spends limit this route. Advocates recommend large-scale asset recycling; such monetisation depends upon buyer appetite, suitable hair-cuts, and price effects when many assets simultaneously hit



Connectivity holding back innovation

The technology that's allowed so much connection has of course also been positive, but, like many technological changes, it has come with unintended consequences

FAYE FLAM

Bloomberg

SHOULDN'T WE HAVE space colonies and a universal cure for cancer by now?

Instead there are signs that the pace of technological progress is slowing—even as researchers pump out papers at a prolific and increasing rate. With slowing progress in computing power, medicine and agriculture, my *Bloomberg Opinion* colleague Noah Smith warns that the stakes could not be higher.

Surely some of the fault lies with technology itself.

Our connected world has allowed researchers to become so tightly networked that they're falling into the trap of groupthink. That might explain why some researchers seeking cures for Alzheimer's disease, for example, have conceded that they've been throwing years of work and billions of dollars toward a single theory that has failed to lead to any treatment—while ignoring promising alternatives.

Sociologist James Evans of the University of Chicago has concluded that what's being lost, at least in biomedical research, is scientific independence. Being able to work independently of other labs allows researchers to come up with fresher insights.

In a new study, Evans and colleagues found that weak studies are more likely to come from labs that share lots of researchers and methods with others, and strong studies come from labs that do things their own way.

Weak studies are not just those that come to the wrong conclusions but those whose conclusions are fragile. If

a competitor tries to replicate them, the result will be different, unless conditions and methods are exactly the same. The conclusions of such studies are unlikely to represent broad biological facts, and probably won't be of much use in medicine.

To sort the weak from the strong, Evans and colleagues were able to use a special case where thousands of studies on the interaction between drugs and genes can be re-tested quickly. A machine can now do what's called a high throughput assay to rerun a whole slew of previous studies. And so Evans was able to evaluate more than 3,000 published claims against the results of this mechanical backup, which can not only replay the exact experiments but also test the robustness of the claims by varying the parameters a bit.

There was a huge correlation between centralised, networked groups and weak studies. The most networked groups were more likely to replicate themselves and each other, but less likely to reach conclusions that checked out with the mechanical system.

Groupthink is well known in politics and media. Where once competing reporters would look into the same events independently and not know the others' results until the next day's papers, now there's an unconscious temptation among journalists to believe the interpretation of the most prominent news outlets, or whoever posts online first.

Scientists are subject to the same

human foibles, but groupthink shouldn't be conflated with scientific consensus, which is often based on ideas that are backed up by multiple lines of inquiry. That would include things like the structure of DNA, Einstein's theory of relativity, and the basic physics behind the greenhouse effect. Those are widely accepted now, in part because they were supported by independent, even isolated researchers.

What's rewarded these days is the absolute opposite of those historic claims. While science works best when researchers prove one idea multiple ways, funding agents and journal editors today reward those with only a single line of evidence to support multiple claims. They want bigger claims and are content with lesser evidence.

The technology that's allowed so much connection has of course also been positive, enabling people to collaborate and learn more efficiently. Researchers can sometimes even counteract extraneous noise by harnessing a wisdom-of-the-crowd phenomenon, where many individuals converge on a right answer. But like many technological changes, it has come with unintended consequences. The fact that US researchers are producing 1,000 papers a day shows there's a lot of energy out there to be used more productively—if funding encouraged bold exploration.

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners

the market. Then too, the question if public capex will restore private demand and inflation remains. What if the past pattern perpetuates when neither private investment revived, nor consumer demand sustained?

If you cannot devalue or ease monetary-fiscal policies to counteract the demand slowdown, you are in a fix!

That leaves the government with the sole option of structural reforms—focus on a medium-term growth recovery. But, how long could the medium-term be? One is unsure, given the pervasive growth pessimism across economies. Just look back at India's own structural reform efforts in the recent past: Demonetisation and GST were expected to spur formalisation, deliver growth boost in a couple of years' time—so we should be reaping the growth dividend now with more tax revenues. Instead, we have a structural trigger—consumption slowdown at lower income consumer levels—which is a direct fallout of unplanned demolition of the informal sector. The new line of policy advocacy is that the formalisation drive ought to have accompanied distributive expenditure favouring the poor. But where are the tax revenues? The plot is familiar—structural reforms may be good, but outcomes remain unpredictable!

The prime minister expressed confidence on returning to a robust growth trajectory in the long term. Urging all to see beyond a budget or two, he highlighted numerous facets of active policy attention and intervention, committing to investment-led growth with a \$100 billion target in five years. This may not comfort many—the UPA II had chosen this path and ended up dragging the banks and the economy into a deeper hole.

Hard choices: There is a hard option to break this impasse, provided the government is prepared for near-term growth sacrifice for medium-term gains. Can fiscal room for capex be created by revenue expenditure cuts, e.g., subsidies? Can corporate taxes be cut to improve returns on private investment? Expenditure-switching on these lines will recoup revenue losses from tax cuts, lower interest costs for the private sector. But this option lies in the political economy domain, and depends upon the government's appetite to use its exceptional mandate for hard, unpopular choices.

LETTERS TO THE EDITOR

India's cricket coach selection

A coach must reflect the highest standards of professionalism and ought to bear accountability of losses in big-stage tournaments, instead of boasting of accomplishments, especially when there aren't many to show. One wonders if the selection process, although tough and rigorous, as proclaimed, was effective/result-oriented as well. Authorities, seemingly committed to overcome challenges and improve the laggards—haven't dedicated sufficient time/effort to analyse and ascertain the root-cause of India's heart-breaking loss in the semi-final of a prestigious tournament. Even with the current tour to the Caribbean-soil, time was not available to address the rumours of a rift within the team or collectively brainstorm before appointing the next captain/coach. Efforts to critically evaluate the administration, including the coach and captain, were lacking. It is prudent to micro-gauge the performance of a top-ranked favourite side, keeping in view the loss in world-cup semi-final, T20 world-cup championship, Series at England, and ODI home-series against Australia after an initial lead and the low-level of fitness at the big-stage, thanks to the rigorous IPL schedule before the WC. The coach's re-appointment suggests that limited flexibility and a defensive approach to change are the only attributes that the management isn't short of.

— Girish Lalwani, Delhi

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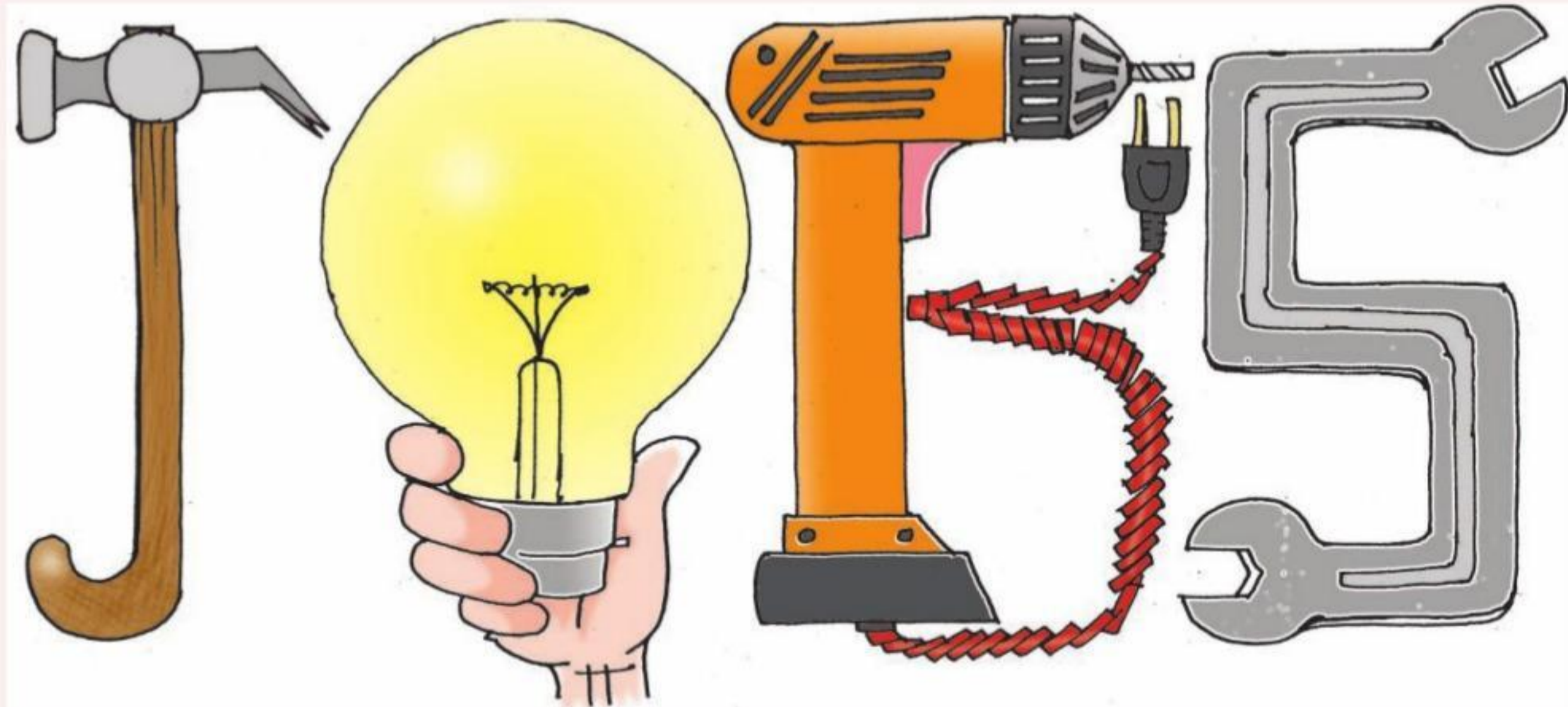


ILLUSTRATION: ROHNIT PHORE

RAJANI SINHA

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Focus on the quality of jobs being created

Apart from the large quantum of jobs that need to be created (8 million per year, according to the World Bank), another important aspect is the quality of jobs. A large proportion of India's workforce is employed in jobs with low productivity, resulting in dismal incomes

ONE OF THE major challenges for the government in the new term would be to create suitable jobs. According to the latest PLFS (Periodic Labour Force Survey), the unemployment rate in the country is at a 45-year high, at 6.1%. Although a lot of debate has gone into the level of unemployment in the overall economy, there is no denying the fact that there is an urgent need to create more jobs to truly benefit from India's demographic dividend.

India has around 65% of its population (about 910 million people) in the working age group of 15-65 years.

According to a World Bank report, the country needs to create around 8 million jobs every year to maintain its employment rate. Apart from the large quantum of jobs that need to be created, another important aspect is the quality of jobs—and this needs to be focused upon. In fact, a large proportion of India's workforce is employed in jobs with low productivity, resulting in dismal incomes.

Today, the agricultural sector contributes about 16% to the country's GDP, but it employs 43% of India's labour force. In fact, in the rural areas, the share of agriculture to workforce is at a high of 64%, while agriculture contributes only 39% to rural NDP (net

domestic product). The wages of agricultural labourers and cultivators is much lower than that of non-agricultural workers even in the rural areas. According to a NITI Aayog report, the rural non-farm sector employs 2.8 times more productive workers than the farm sector. In the rural areas, there is a shift happening with the labour moving from the agricultural to the non-agricultural sector. However, a large chunk of this labour movement is from agriculture to the construction sector, which, again, has a low labour productivity (although it is higher than agriculture).

The push to agriculture allied sectors will be beneficial to absorb the labour moving out of the agricultural sector in the rural areas. Livestock and horticulture industry has a huge growth potential and also higher labour productivity. The government should give the required push to these sectors to alleviate rural distress.

Apart from agriculture allied sectors, there is also a need for the labour in the rural regions to move to the manufacturing and services sectors. Manufacturing today contributes 18% to rural NDP, but the share in employment is dismal, at 8%. It is apparent that the growth in the manufacturing sector is happening mainly through capital-intensive industries. However, for an inclusive economic growth, the government needs to increase its focus on labour-intensive industries such as textiles, leather, gems and jewellery, food products, etc. In fact, the push to these sectors will also help the country generate higher export revenues. In addition, the labour needs to be adequately skilled to help them get absorbed in the higher productivity industrial sector. The challenge for the manufacturing sector to absorb the labour force is going to increase further, especially as globally manufacturing moves towards automation and artificial intelligence.

India has leapfrogged the traditional growth model, with the services sector emerging as the engine of growth. However, the services sector has its limitation as far as labour absorption is concerned. The services sector contributes more than 50% to India's GDP, but absorbs only one-third of the total workforce. This is mainly because some of the high productivity sectors such as financial services and real estate have low employment elasticity.

Another major issue with India's labour market is the large number of people employed in the unorganised sector—

the share of workers in the unorganised sector as of now is around 80%. In fact, according to a report by the International Labour Organisation (ILO), the share of informal workers in total employment in India is around 90% (unorganised sector plus contractual workers in the organised sector). The concerning aspect is that a large number of jobs in the unorganised sector have very low productivity and no job benefits and social security. There is a large wage differential amongst workers in the organised and unorganised sectors. Moving towards formalisation of the economy through the goods and services tax (GST) is a step in the right direction, but still there is a long way to go for most workers in the informal sector.

While good quality jobs are not growing substantially, the aspirations of the youth in India are rising with higher education. According to the latest PLFS report, unemployment amongst urban males with secondary and higher education is at a high of 9.2%, while that for rural males is even higher, at 10.5%. This leads us to question the very edifice of India's education system. Is the education system skilling the people appropriately to facilitate their absorption in the labour force? According to the India Skills Report 2019 (by Wheebox, the online talent assessment company), the employability score of the country is at a low of 47%. This highlights the need to tune our education system to make it suitable for job requirements.

Another interesting observation from the PLFS report is that unemployment is higher in developed states. In fact, the unemployment rate is the highest in the states of Kerala, Punjab and Tamil Nadu, and lower in Chhattisgarh, Madhya Pradesh and West Bengal. It appears that in the more developed states, the levels of prosperity and aspirations are resulting in a mismatch in the jobs available and those desired. This, again, highlights the need to create more productive jobs and skill the labour appropriately for the job requirements.

Unemployment is not just a local problem; it's a global issue, currently. High unemployment has resulted in many of the developed economies, such as the US, looking inwards and creating barriers to trade and movement of labour. In the developed countries, low cost of capital and the rising trend of automation pose a big challenge for employment generation. For a labour-abundant country like India, the problem is significantly humongous and needs to be tackled on an urgent basis.

Role of industry in managing water

MUKUND VASUDEVAN

MD & country head-India, Ecolab, and co-chair, Water Sector, FICCI



Industry must leverage right technology to reduce its own water consumption

WATER SCARCITY IS one of the biggest problems facing the humanity. Forget oil and gold, water is one of the world's most valuable investments. Not just communities, businesses are also finding themselves in ever-greater competition for this finite resource as growing population drains reservoirs and rivers. Companies will have to start evaluating how their business models can be transformed in support of a water-secure future.

Main consumers of water are the agriculture, domestic and industrial sectors. But the water consumption pattern across these sectors is highly skewed—80% is consumed by agriculture, and 20% by domestic consumers/industries. That said, every sector must play a role in conserving water. We must 'leave no one behind' in our collective responsibility to conserve water. Farmers can look at drip irrigation or less water-intensive crops. Domestic consumers can recycle wastewater within communities and use water-efficient fixtures. Industries can adopt technologies to reduce, reuse and recycle water. There is a realisation that changes to pricing and policy in the agricultural and domestic sectors can be political hot buttons, especially in a country like India. Also, awareness-building and behavioural change takes time. The industrial sector realises the business imperative to reduce water usage. In summers, it's not uncommon for industries to shut down due to water shortage. That leads me to argue that industry can be a front runner in conserving water.

Industries must look at leveraging the right technology to reduce water usage. The 're-right' technology is one that not just looks good for a 'sustainability report', but also ensures RoI. A water footprint audit that includes flows and chemical changes to water across a plant can throw insights on where to invest for reducing/reusing water. Automation and predictive analysis can optimise performance of water-intensive assets, like boilers and cooling towers. One large steel plant has reduced its water consumption by 30% over the last three years—by adopting best-in-class technology and driving a culture of continuous improvement. Contrary to popular belief, this was not just a 'sustainability' effort. The new technology showed a less-than-three-year payback due to water and energy saving, and productivity improvement. By way of comparison, 30% water reduction is enough to serve the annual drinking water needs of a city like Delhi!

Second, industries must look at a basin approach. This requires looking beyond their boundaries to adjoining companies and municipalities to optimise water consumption in the entire area or basin (water source). Not only does this create economies of scale for investment, it also highlights some interesting cost-saving opportunities. Take the case of one factory in Maharashtra that was getting tanker water to satisfy production demands. At a conference, the plant manager discovered that a neighbouring factory discharged a lot of wastewater (effluents) and paying for this. Over coffee, a simple but unique idea was born. By treating the second factory's wastewater and transporting that treated wastewater to the first factory, the latter would be able to meet its raw water needs. Not only did the first factory save money by replacing tanker water, it also managed the basin's water resources better. Companies should explore such opportunities, so that total water consumption of both industries as well as communities in the vicinity is optimised. The water resources ministry has passed a law requiring all power plants within 50 km of a city to use treated municipal waste. That is an excellent move to protect water in an entire basin.

Industry bodies like FICCI and CII, through initiatives like the FICCI Water Mission and CII Water Innovation Summit, are doing their bit. Such platforms have recognised businesses that demonstrate their commitment to reduce water consumption and driving a circular economy.

In every country, water is a multifaceted problem. While there are growing instances of innovative practices that are leading to more efficient use of water, the current situation calls for a stronger, nationwide, multi-stakeholder action. We must tackle the demand-side to reduce water consumption by agriculture, industry and consumer. In parallel, we must tackle the supply-side to make more water available to each segment of users. Finally, the government must play a role by ensuring optimal pricing of water, incentives (for conservation), and providing the right water and wastewater infrastructure. In short, saving the world's water requires a concerted effort, where no one is left behind.

SUNNY DEOL'S FAMOUS dialogue 'Tarikh par Tarikh, Tarikh par Tarikh' from the 1993 Hindi film 'Damini'—quoted in the Economic Survey of 2017-18—articulates people's frustrations of delayed and, hence, denied justice. The authors feel that this malaise could find a solution in the twin tools of forensic economics and technological leveraging.

Combined together, the claims for indirect and direct tax stuck in litigation (appellate tribunal and upwards) by the quarter ending March 2017 amounted to over 4.7% of GDP. As per the Economic Survey 2017-18, there has been an upsurge by 25% in the number of cases stuck in various appellate fora, despite simplification of law, setting up of new tribunals and separate tax benches in the Supreme Court. The Survey points out that the success rate of tax departments at all three levels of appeal—appellate tribunals, high courts and the Supreme Court—and for both direct and indirect tax litigation is under 30%, and is declining. As per the Comptroller and Auditor General of India, the poor success rate is because of the poor quality of adjudication orders.

Another secondary source is used to evaluate the reason for the poor quality of adjudication/assessment orders as well as unnecessary filling of appeals by tax departments. The Tax Administration Reform Commission (TARC) was set up by the government in 2014. It produced four reports that analysed the poor functioning of dispute resolution institutions. According to it, the reason for poor quality of adjudication lies in the revenue bias of adjudicating officers (AOs), who are viewed

AI and the world of tax litigation

Forensic economics, artificial intelligence, tax litigation seen in the Indian context

MALLIKA MAHAJAN & PAWAN KUMAR SINHA

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with suspicion by their reviewing/supervisory officers if they decide a case in favour of the taxpayer. The report mentions that a recurring theme—in what they have heard from both the departmental officers as well as the industry—is that the mentality of AOs is affected by the process of review in tax departments. The revisionary powers provide the authority to examine orders passed by subordinate officers with a view to determining their 'legality and propriety'. The TARC has reported that the primary consideration that weighs with reviewing/revisionary authorities is the tax effect of the order and not so much its legality or propriety. Orders are routinely reviewed and appeals filed against the original orders when they are in favour of the taxpayer. This, coupled with the perceived fear of vigilance and audit, is said to have fuelled the tendency to pass pro-revenue orders without regard

to merit and concerns of legality and propriety, forcing taxpayers to approach appellate authorities and courts. The second TARC report also mentions that there is a marked absence of judicial discipline and respect for precedent, which results in a plethora of avoidable disputes. This is attributable to the same risk-aversion to deciding cases in favour of taxpayers. While on the whole the majority of decisions by departmental authorities show a marked revenue bias, in many of those exceptional cases where fair and competent orders are passed, the higher authorities in the administration show a propensity to file appeals to the tribunals, high courts and even the Supreme Court. Such questioning of their orders de-motivates those officers at the junior level who act fairly and objectively, reinforcing the tendency towards arbitrary anti-taxpayer orders. Hence, the major reason for

mounting tax litigation is the trust misalignment between principal and subordinate officers/principal-agent.

The deleterious litigious effects from the government standpoint are well-documented. The Economic Survey 2017 used data from six central ministries to show that 52 infrastructure projects of over ₹52,000 crore have been impacted because of stay orders that were pending for an average of 4.3 years. Since project costs were predominantly debt-financed, in all likelihood project costs had increased by close to 60%. The 126th Law Commission report stated that "...the state also has to bear the (additional) expenses of setting up courts, providing personnel for manning posts." The topic of the litigious effects on the taxpayer is under-researched. Few studies have suggested that litigation adversely affected SME investment in plant and machinery. Effec-

tive interventionistic strategies require the understanding of the economic damages caused by frivolous litigation on tax-paying firms. The authors suggest the use of 'forensic economics' for this.

Forensic economics enables the understanding of hidden behaviour. In our case, it will be the behaviour of firms that are subjected to litigation. The focus of forensic economics is with respect to economic loss calculations. What would firm A have earned had it not been subjected to litigation? But for litigation, what would have been the growth trajectory of firm A? It is a simple framework, only that the expert is required to proffer opinions that fall "within a reasonable degree of certainty or probability." Some have interpreted this to mean at least 51% probability of occurring. Methodologies involve measuring comparisons. In our case, it could be regression analysis of litigation costs and investments in capital goods by the SME.

Where lies the solution to this litigious burden on both state and its taxpayers? TARC reports have suggested solutions. One is the evaluation of dispute resolution officers based on the quality of their orders evaluated for fairness and observance of judicial discipline. Another is peer reviews by panels of selected officers known for their expertise and fairness. From global best practices, the TARC has identified four practices worthy of adoption. The setting up of a dedicated organisation for dispute management, the establishment of an 'enhanced relationship' arrangement between taxpayers and the tax administration, and the issuance of binding technical guidance notes by tax administrations. The last solution is the adoption of

ADR (alternate dispute resolution) techniques to resolve tax disputes out of court. The suggested methods are conciliation followed by arbitration, in a sequential manner. These solutions do not appear to be a perfect fit for addressing the trust misalignment between principal and agent. The authors suggest the use of artificial intelligence for overcoming risk-aversion of original adjudicating authorities and trust deficit between AOs and their reviewing supervisors.

Inbuilt in the repair design should be a revenue-neutral reviewing mechanism by supervisory authorities. The proposed remedy should be designed around: (1) Monitoring whether precedent judicial decisions of higher fora are being adhered to, (2) same decisions are being taken on the same questions of law, irrespective of the taxpayer, and (3) there is no delaying of decisions when the same questions of law stands decided by officer himself and/or higher judicial fora. Once repair is designed along the above lines, the discretionary element will be automatically circumscribed and oversight will become easy. This repair design should be based on a digital platform with one organisation tasked with the real-time seeding of judicial precedents/case law accepted by tax boards. Artificial intelligence software with prediction technology generates results that forecast litigation outcome can be used here. Some known software that even offer consultancy, such as Ravel Law and Lex Machina, can be used. The limitation foreseen is that such software will be most effective in better-settled areas of law where there is a very large amount of relevant data.



The Indian EXPRESS

FOUNDED BY
RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

A NEW PLAYBOOK

Defence Minister's remarks on no-first-use signal to Pak, China, that old rules constraining India in Kashmir don't hold

IT IS NOT surprising that Defence Minister Rajnath Singh's comments last week that India's commitment to "no first use" of nuclear weapons is not cast in stone have elicited widespread reaction in the Subcontinent and beyond. A number of factors make the minister's statement a major departure in the evolution of India's nuclear strategy. One is the choice of place and occasion. For his statement, the minister chose the site of India's nuclear weapon tests on the death anniversary of former prime minister, Atal Bihari Vajpayee, who had declared India as a nuclear weapon power after the 1998 tests. That it comes in the middle of an unfolding political crisis with Pakistan lends greater salience to the statement.

A similar statement was made in 2016, by one of Singh's predecessors in the defence ministry — Manohar Parrikar. But the government quickly intervened to insist that there was no change in policy. This time, there has been no denial or correction. Domestic and international critics have underlined the dangers of creating a credible first use policy. They suggest that abandoning no-first-use increases the danger of using nuclear weapons, especially in military crises of the kind that have become frequent on India's borders with Pakistan and China. Others point to the demanding requirements of a first-use policy — a large inventory of nuclear weapons and missiles to deliver them, strong intelligence and reconnaissance capabilities, and a sophisticated command and control system. If no-first-use offers a simple, robust and relatively inexpensive basis for deterring atomic adversaries, the structure to support a first-use doctrine is costly and inherently unstable. Some have argued that the steady accretion of India's nuclear and related capabilities in recent years may be giving the NDA government the confidence to abandon the no-first-use policy.

The immediate motivation appears to be less technical, and more political. It is about managing India's ties with Pakistan and China following Delhi's decision to revoke the special constitutional status of J&K and the bifurcation of the state into Union Territories. Delhi is warning Pakistan and China — both of whom have nuclear weapons — that India will not be intimidated by Rawalpindi's threats to trigger violence in Kashmir and then limit India's responses with the threat of a nuclear escalation. Delhi is signalling its readiness to go to any extent, including the first use of nuclear weapons, in defending the changes it has initiated in Kashmir. This tough message is of a piece with Prime Minister Narendra Modi's decision to launch air strikes on Pakistan's territory last February, for the first time since the 1971 war, following the terror attack in Pulwama. In reorganising the political structures of Kashmir, demonstrating that it will use conventional force against terror camps in Pakistan, and affirming that it will not accept nuclear blackmail, Modi is declaring that the old rules that constrained India in Kashmir are no longer valid. We may be in uncharted waters until there are new rules to regulate the triangular nuclear dynamic between the three nations and their contestation in Kashmir.

WRONG CALLS

Phone tapping controversy in Karnataka reveals absence of checks and balances in state's political and police systems

THE PHONE-TAPPING CONTROVERSY involving senior police officers in Karnataka has exposed the deep mistrust between the JD-S and Congress leaderships that led to the collapse of the coalition government. It has also cast the spotlight on former chief minister, HD Kumaraswamy, who is now suspected of misusing the state police to spy on politicians, legislators, bureaucrats and even journalists. Chief Minister BS Yediyurappa has said that he will ask the CBI to investigate the allegations of illegal surveillance. It is necessary that the administration comes clean on this and action is taken against officials if there has been any transgression.

It was an internal feud within the Karnataka police that brought out how officers apparently gamed the system for personal gains. The allegation is that Alok Kumar, who was appointed Bengaluru Police Commissioner by Kumaraswamy after superseding 21 officers, had ordered surveillance of several persons illegally. This came to light after a police probe, ordered after a TV channel broadcast an audio clip, allegedly of the present commissioner, Bhaskar Rao, pleading with a political fixer for favours. The police can claim it has the authority to tap the telephones of persons suspected to be a threat to the state. However, there are clear norms that regulate this authority. The preliminary probe in this case points to its gross misuse, purportedly to serve the interests of those wielding power. The fractured verdict in the assembly elections last year had forced rival political parties to stitch coalitions of convenience to form government. Bitter rivals, Congress and JD-S, had outsmarted the BJP to form a government. But soon, the JD-S and Congress started to undercut each other, which left the government exposed to the manipulations of politicians and officials. Institutions failed to act when rumours started to float about posts in the administration being auctioned and fixed for patronage and cash being offered to legislators.

Karnataka politics has been rocked by allegations of illegal phone tapping in the past as well. In 1988, then chief minister Ramakrishna Hegde had to resign over a telephone tapping allegation. But the system seems to have neither put in place checks and balances nor internalised the need to respect norms in the case of surveillance.

THIS ISN'T CRICKET

The relentless jeering of Steve Smith showed a mirror to the dark underside of the game

ONE WOULD HAVE thought that the English cricket fans would stop booing a bruised Steve Smith, returning to fight for his team after he was felled by a bouncer, but they didn't. The relentless jeering showed a mirror to the dark underside of the game. Smith's stupendous knocks in this series deserve grudging respect even from the most hostile fan — even though he was returning after a year away from the game, following his ban by Cricket Australia for ball tampering in 2018.

The orchestrated booing doesn't even seem to have been an authentic emotion of displeasure. It didn't appear to stem from a genuine feeling of betrayal and anger at an opponent who has indulged in skulduggery. For long, football fans in England were tagged with hooliganism. But it seems to have now caught on in cricket in a land that prides itself as the game's home.

Smith has responded by piling up the runs. Every little act he does at the crease is contrary to what batsmen are expected to do. Stillness is demanded of them; he twitches, walks, and at times teasingly leaves the middle and leg stump exposed. They are expected to stretch forward to drive; he retreats and drives off the back foot. Calmness is expected; he can be a furious blur of energy. He is a counter-intuitive batsman; a contrarian who should make any open-minded fan curious. By their relentless booing, the English fans may have achieved the opposite effect of what they set out to do. The crowd behaviour may have hastened forgiveness, even triggered sympathy and respect for the player at the receiving end.



RAJAT KATHURIA

It takes many

For all its current troubles, WTO may still emerge as the lynchpin of global trade governance

ANOTHER SALVO FROM Washington, on our Independence Day, strips us (and China) of the "developing nations" status. At any other moment, both India and China would have been pleased to rid themselves of this tag, but not at this time. For, there is a catch. President Donald Trump has reiterated his long-standing belief that India and China have benefited immensely by misusing the developing country tag, thereby profiting unduly from privileges conferred on such countries. He blamed the World Trade Organisation (WTO) for this lapse, and reiterated his threat to leave the world's largest multilateral trade forum.

Meanwhile, the narrative from China is one of injury to the national psyche due in part to the "centuries of humiliation" they claim to have suffered at the hands of western powers. Their growing economic and military might presents the Chinese, in their own words, an opportunity to set the historical record straight. For the US, these are anxious times for fear of losing the mantle of the world's preeminent power after at least three decades of unchecked hegemony. Chinese rise and US fears are straining their bilateral trade and causing serious collateral damage to the institution that has served well the cause of trade, growth and stability of the world economy in the post-WWII period.

A question uppermost on trade economists' minds is whether the WTO is worth saving. One way to evaluate the question is to investigate its achievements, with the obvious caveat that the past is an imperfect guide to the future. Since the WTO came into being in 1995, the world has witnessed massive changes, some deeply structural in nature. New technologies have transformed the way we live, communicate, and trade. In 1995, less than 0.8 per cent of the world's population used the internet; in June 2019 it was around 57 per cent. Communication technologies and containerisation lowered costs and boosted volumes of components moving in and out of countries allowing production chains to become increasingly international and also much more complex. An iPhone, for example, has about 14 main components that are manufactured by 7-8 multinational companies with branches in more than 40 countries. Overall trade in goods has nearly quadrupled since 1995, while WTO members' import tariffs have declined by an average of 15 per cent. Over half of world trade is now tariff-free

There is no doubt that the multilateral process needs to be fortified and it cannot happen until the strongest member is vested in it. Multilateralism implies that every country agrees to bind itself to the same rules as other (smaller) countries even when it conflicts with self-interest. Admittedly, trade is much more complex now; negotiation among 164 members on standards to generate consensus is at best hard, and at worst, impossible. The alternative, regionalism, involves a limited number of countries and ostensibly relies less on 'altruism' of the members and more on mutual gain. But it suffers from an exclusionary bias.

(WTO, 2015). Growth in trade has exceeded growth in world GDP and has been associated with improved standards of living. Today, the WTO regulates more than 98 per cent of global trade flows among its members.

It also monitors the implementation of free trade agreements, produces research on global trade and economic policy, and serves as a forum for settling trade disputes between nations. An alternate way to look at the WTO's success is not to focus on how much trade it has helped create and the corresponding tariff reductions, but the damage in trade value it has helped avert. One estimate puts the value of avoided trade wars at \$340 billion per year.

When the US-China trade conflict began in July 2018, many were lulled into believing that the sabre-rattling was temporary and the aggressive unilateralism that defined US actions would die a natural death. The US had earlier used Super-301 legislation to designate specific countries as unfair traders, and to threaten them with higher tariffs unless they fell in line. Some countries complied with US pressure to avoid escalation, while others such as India and Brazil refused to negotiate under threat of US sanctions.

In the current instance, however, it does not seem likely that the US will back off. Neither does it seem that the Chinese (or India) will agree to negotiate under duress. In all likelihood, the Chinese will not brook another humiliation, while India at the current juncture is little more than collateral damage. Moreover, it is not possible for India to trade in the developing country status in the WTO without a fight.

In any case, a unilateral finding of unfair trading practices and subsequent action by the US ignoring their own WTO commitments, places other countries on higher moral ground. Under the rules, a measure is defined as unilateral if it is imposed by a country without invoking the WTO dispute settlement procedures or other multilateral international rules and procedures, and which is based solely upon invoking the country's own criteria. Unilateral measures are inconsistent with the letter and the spirit of multilateralism. Article 23 of the Dispute Settlement Understanding (DSU) explicitly prohibits members from doing so.

A gracious explanation is that the US is using its power to discipline the trading system for the benefit of all. China (and India), they

claim, has been a free-rider for long having taken advantage of the open trading regime while itself being opaque on subsidies, state owned enterprises and intellectual property. And since dispute settlement in the WTO has become dysfunctional and appeals to the appellate body (AB) are taking longer than the prescribed 90 days, the US has taken matters in its own hands, playing the part of benign dictator for the common good.

While this view might have some isolated resonance, it is extremely charitable. There is no justification for subverting the multilateral process, especially by the country that was instrumental in putting it together in the first place. Further, the AB will cease to function in December unless the US agrees to appoint a replacement to maintain the required quorum of three members. Without the AB, the law of the jungle will replace the rule of law, hurting the weak and destroying the credibility of the entire process.

There is no doubt that the multilateral process needs to be fortified and it cannot happen until the strongest member is vested in it. Multilateralism implies that every country agrees to bind itself to the same rules as other (smaller) countries even when it conflicts with self-interest. Admittedly, trade is much more complex now; negotiation among 164 members on standards to generate consensus is at best hard, and at worst, impossible. The alternative, regionalism, involves a limited number of countries and ostensibly relies less on "altruism" of the members and more on mutual gain. But it suffers from an exclusionary bias.

Multilateral agreement is still the best, and when reasonable men and women sit around the table, a solution can be found. In the absence of pure multilateral negotiations, interested members could negotiate plurilaterally with the aim of achieving multilateral outcomes. But burden-sharing, as opposed to altruism among the big players, will remain an integral part of the multilateral approach. The WTO may still emerge as the lynchpin of global trade governance. For, as the Mirza Ghalib said: Ranjh se khugar hua insaan to mit jaata hai ranj/ Mushkilein mujh par padi itni ki aasaan ho gayeen.

The writer is director and chief executive, ICRIER. Views are personal. Neha Gupta, Fellow, ICRIER, contributed to the article



SHAH ALAM KHAN

BAD PRESCRIPTION

National Medical Council Act offers little change, brings in a host of new problems

THE NATIONAL MEDICAL COMMISSION (NMC) Bill 2019 was passed by the Lok Sabha on July 29 and the Rajya Sabha on August 1. Reading this important Act, which will decide the future course of medical education and medical ethics in this country, one gets a feeling that it offers little when compared to the Indian Medical Council Act 1956 (which saw multiple amendments), that led to the formation of the Medical Council of India (MCI), a body which was accused of rampant corruption. The NMC Act, in the garb of change, has some provisions which are far more problematic than those in the amended MCI Act.

The constitution of the medical commission as proposed in the Act has issues of subjugating federalism at multiple levels. The nomination of important functionaries of the NMC will rest exclusively with the Centre: This will give rise to nepotism and the promotion of a lackey culture, that had infested the MCI. Even the Medical Advisory Council, proposed in the Act, has nominated members from the states, thereby reducing the role of states to being consultative.

The other contentious point in the NMC Act is the creation of a cadre of Community Health Providers with the limited licence to practice medicine at the mid-level. This provision is a means to promote quackery within

The NMC bill is an opportunity for positive change, but unfortunately it fails to address the deficiencies in medical education and healthcare in this country. It fails to learn from the 65 years of past experience with the MCI. A robust bill would have been one that would have taken out medical education from the silos of traditional blocks and incorporated a culture of democratic practice in the field.

the scientific practice of medicine. In recent times, anti-scientific remarks by the political leadership of the country have already significantly eroded scientific temper. By providing the licence to practice medicine in such manner, the credibility the scientific community will be further eroded among citizens. There is no doubt that at the current doctor-patient ratio of 1:10,189 (WHO recommendation is 1:1,000), India is in dire need of doctors. Successful models incorporating allied healthcare professionals/alternative systems into allopathic medical practice are present throughout the globe, but their involvement — and quality — is thoroughly regulated. The NMC Act does not propose any means to ensure this. Also, there is ambiguity on which alternative health professionals will be allowed a licence.

The Act has proposed a common exit examination — National Exit Test (NEXT), at the end of the MBBS course. This test shall be held to grant a licence to practice and will also be the basis of admission to postgraduate courses. It appears that this provision is based on the premise that exit examinations produce good students. This premise has been under scrutiny the world over. More so, evaluating an MBBS student at the end of the final year through multiple choice questions (MCQs) is not a good idea: Existing evidence

from across the world clearly favours subjective clinical evaluation as the best means to evaluate an upcoming doctor. It would have been better if a common exit exam had been held after ensuring that the level of medical education throughout the country is uniform.

Besides failing to address people-centric issues like recommendations for retention of doctors in rural health services, the NMC Act appears to heavily favour private medical colleges. Allowing the private medical colleges to "sell" 50 per cent seats is a serious threat to healthcare. It sets a dangerous precedent of usurping deserving students from becoming doctors merely on the basis of money.

The NMC Act fails to learn from the 65 years of experience with the MCI. A robust law would have been one that would have taken out medical education from the silos of traditional blocks and incorporated a culture of democratic practice in the field. Medical pedagogy is different from non-medical education. It is dependent on both didactics as well as clinical training. Evaluation of doctors should be a logically-regulated moral process, not a cruel retribution.

The writer is professor of orthopaedics, AIIMS, New Delhi and author of Announcing the Monster. Views are personal



AUGUST 20, 1979, FORTY YEARS AGO

ODDS AGAINST CHARAN

ON THE EVE of the crucial debate on the confidence motion the odds seemed to be weighted against Charan Singh tonight. The Lok Sabha will tomorrow discuss for seven hours at a stretch the Prime Minister's motion seeking confidence of the House. At 6 pm sharp, 533 members will be asked to cast their vote to decide whether Charan Singh can continue in office. Only Indira Gandhi, who commands 74 Congress-I votes in the Lok Sabha can bail out Charan Singh, but taking into account the Party Working Committee yesterday and the Parliamentary Party today, it is highly unlikely that she will rescue Charan Singh.

MINISTERS RESIGN

ALL THE FIVE Punjab Janata ministers submitted their resignations from the state cabinet following the Akali Dal's decision to support Charan Singh on the vote of confidence in the Lok Sabha. The Akali Dal had taken the decision last night to support the Charan Singh Ministry without joining it. The Punjab Janata Party ministers, the deputy speaker of the state vidhan sabha and about half a dozen Janata legislators had come to Delhi to watch the Akali Dal's decision unfold. The resignations of the Janata ministers were handed over to the chief minister, Parkash Singh Badal, by the state Janata president, Yagya Dutt Sharma this afternoon.

MORVI DISASTER

The Indian Air Force helicopter hovers over Morvi, then dips suddenly, like a roller coaster hurtling down at a sharp angle, according to a first-person account by Saeed Naqvi. From the air, Morvi looks like a still from an old war movie — devastated and desolate. There are rows upon rows of houses without roofs. What were once streets are now covered with heaps of rubble. A sample of the tragedy is available even in Rajkot, in the 10 odd refugee camps, in the voiceless wailing of women sitting huddled in a corner — they have lost all the members of their family. But the real tragedy is in the expressionless eyes of the people.

15 THE IDEAS PAGE

WHAT THE OTHERS SAY

"The US president has enlisted Benjamin Netanyahu in his campaign for re-election. That is an alarming development for both countries."
—THE GUARDIAN

What India has to offer in the Gulf

Delhi should support the region's reform agenda, deepen economic and security cooperation



RAJA MANDALA

BY C RAJA MOHAN

PRIME MINISTER Narendra Modi's visit to the United Arab Emirates and Bahrain this week underlines Delhi's continuing commitment to the transformation of India's relations with the Gulf region. Although, the Gulf's value for India had steadily risen for more than four decades, Modi is the first one to pay sustained high-level political attention to the region.

If no prime minister of India had travelled to the UAE for more than three decades, before 2015, Modi is about to head to the Emirates for the third time since then. That Modi is being honoured with the Zayed Medal, the highest civilian honour in the Emirates, underlines the new good will, trust and personal intimacy between PM Modi and the UAE leadership. The Zayed Medal is named after the founder of the kingdom, Sheikh Zayed bin Sultan Al Nahyan.

If India tended to see the Gulf region through the prism of Pakistan in the past, it has now learnt that the conservative Gulf Kingdoms are quite eager to develop an independent relationship with Delhi. Three areas highlight the region's new approach to India.

First, some Gulf countries have expanded counter-terror cooperation with Delhi, extending support to India in the unfolding conflict over Jammu and Kashmir, and have sought to open the OIC platform for India despite Pakistan's objections. Delhi has long chafed at Pakistan's routine mobilisation of the Organisation Islamic Cooperation against India.

Second, recognising Modi's special interest in the welfare of the Indian diaspora and expatriate labour, the Gulf Kingdoms have begun to address many of the long-standing Indian concerns. Third, the oil rich Gulf has begun to see India, one of the world's leading energy importers, as a major economic partner. The recent Saudi decision to pick up 20 per cent stake in the oil business of Reliance Industries Limited and UAE's support for the construction of India's Strategic Petroleum Reserve are two examples of deepening energy interdependence.

Modi's non-defensive and non-ideological approach to the Gulf has been a major contribution to India's foreign policy. But there is one weakness that remains to be overcome. If the focus of Modi's first term was on what India can get from the region, the emphasis in the second must be on what Delhi can do for the Gulf. Three opportunities present themselves for India.

The first is about paying greater attention to the domestic dynamics in the different kingdoms of the Gulf amidst the region's deepening political turbulence. One important new trend has been the effort to promote moderate Islam in the region. The

UAE has been at the forefront of this effort aimed at modernising and stabilising the Arab Gulf societies. In Saudi Arabia, Crown Prince Mohammed bin Salman has taken some small but significant steps to liberalise the economy and society.

While the West has reacted with scepticism or is demanding faster pace in these reforms, Delhi should offer strong public support for the reform agenda in the region. No country has a higher stake in the efforts to reclaim the legacy of peaceful co-existence of religions in the Gulf. Supporting positive reform will lend greater weight to India's concerns about the continuing negative trends in the region, such as the support for extremist ideologies.

Second, Delhi must reciprocate more productively to the enthusiasm in the Gulf region for strategic economic cooperation with India — ranging from energy and digital innovation to arms production and space technology. While the region is ready to deploy its considerable amounts of capital in India's growth story, Delhi has been tardy in facilitating investments from the Gulf.

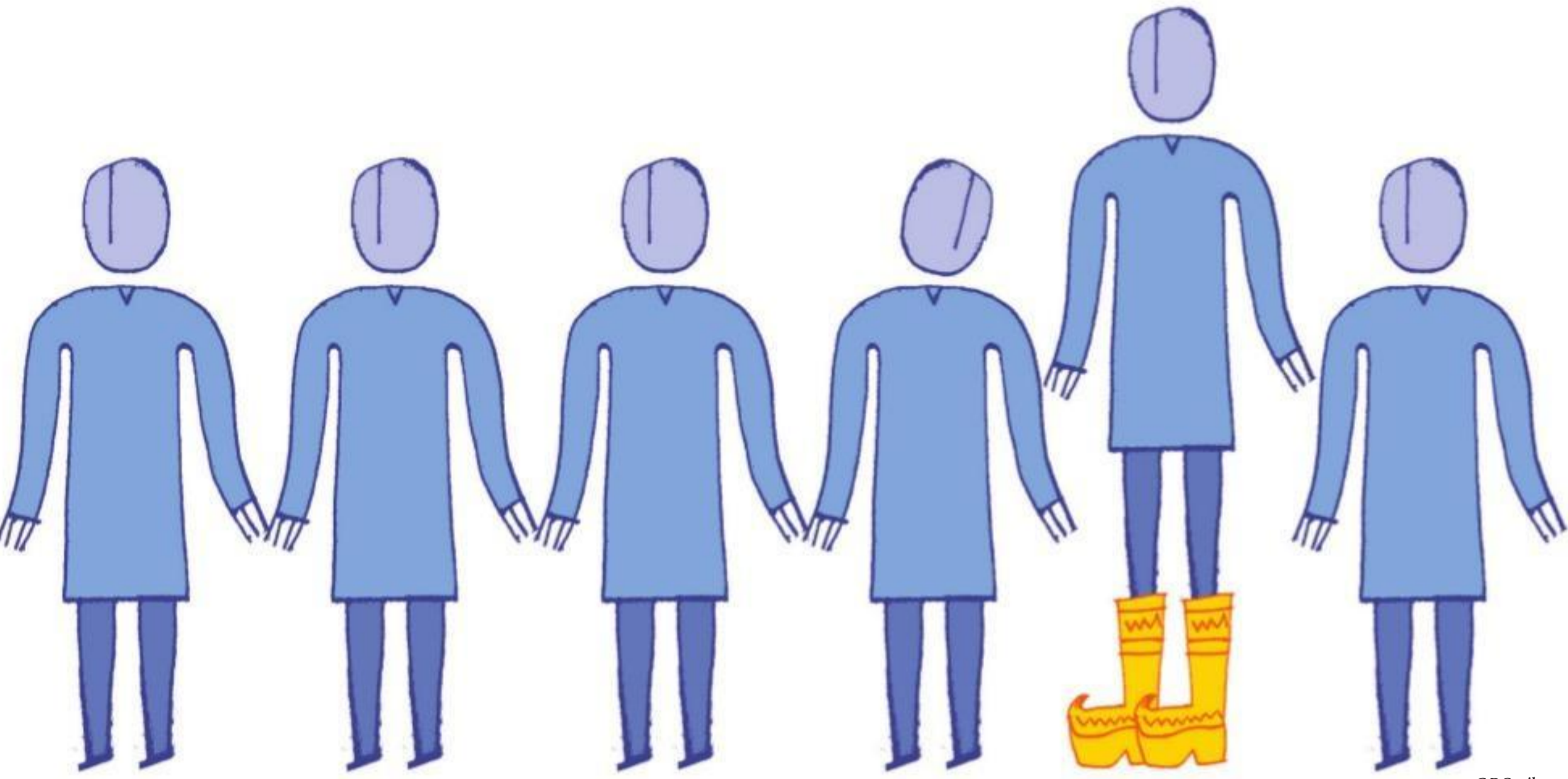
China, in contrast, has moved quickly to elevate its economic and commercial profile in the region. As India begins to take the dangers of an economic slowdown seriously, it should try and unplug multiple bureaucratic and policy obstacles to investments from the Gulf.

Third, security cooperation, where the unrealised potential remains huge. The highly vulnerable Gulf regimes have long depended upon Britain and the US to protect themselves from threats — internal, regional and international. Amidst the current domestic turmoil in the Anglo-American world, President Donald Trump's talk on downsizing America's role in the Gulf is encouraging the region to diversify its security partnerships.

It is time Delhi showed some initiative to develop a more pro-active strategy for defence cooperation in the region. Inaction now will necessarily lead to reaction as other Asian powers like China carve out a larger security role in the Gulf. Russia and France have already stepped up their involvement in the Gulf region's security affairs.

As the internal conflicts within the Gulf region — the intra-Arab, as well as between the Arabs and the Iranians — sharpened in recent years, Delhi's instinct was to avoid getting drawn into these. But ducking can't be a permanent Indian security strategy in the Gulf. Thanks to the potential American retrenchment, the Gulf powers are recognising the importance of engaging each other. The recent talks on maritime security between UAE and Iran, who have had a troubled relationship for long, could be a sign of things to come. The question for India is no longer about taking sides; it is about contributing to the regional security in whatever manner it can.

The writer is director, Institute of South Asian Studies, National University of Singapore and contributing editor on international affairs for The Indian Express



CR Sasikumar

Babasaheb and Article 370

BR Ambedkar opposed the special status for Jammu and Kashmir. He would have agreed with its abrogation now



ARJUN RAM MEGHWAL

Essary legislation to grant special status to J&K. On May 27, 1949, Ayyangar introduced a motion which contained an alternative method of selecting the representatives from J&K for the Constituent Assembly. Ayyangar recommended that all four persons from the state be nominated by the ruler on the advice of his prime minister. After a brief debate, the measure was adopted by the members of the Constituent Assembly. The interim government led by Abdullah nominated Mirza Mohammed Afzal Beg, Maulana Mohammed Syed Masoodi and Moti Ram Baigra, in addition to Abdullah himself. Ayyangar came up with the draft of Article 306 A in consultation with these four National Conference leaders.

On October 17, 1949, Nehru was in the US and Ayyangar was entrusted with the motion for the insertion of Article 306A in the constituent assembly. After the introduction of the motion, Maulana Hasrat Mohani tried to oppose the special provision, but he didn't get much time. The motion was adopted on the same day and Article 306A was renumbered Article 370 at the revision stage. Ambedkar's opposition to this move is evident from the fact that he had refused even to attend the session that passed the motion.

From time to time and on various platforms, Ambedkar had opposed the policies of the Nehru government related to J&K. In 1951, the election manifesto of the Scheduled Caste Federation, a party formed by Ambedkar stated: "The policies if continued will lead to perpetual enmity between India and Pakistan, and the possibility of war between the two countries." It was his farsightedness that his words became reality and there have been three wars between India and Pakistan. While criticising the Nehru government on the J&K issue on the floor of the House during the Budget (General) 1952-53 discussion, Ambedkar meticulously made the point confronting the additional Rs 50 crore in the defence budget because of the Kashmir imbroglio. Ayyangar was the defence minister during this time and Ambedkar reminded him

Ambedkar realised that J&K's special status would create another layer of sovereignty within sovereign India, which can be detrimental to the unity and integrity of the Republic. Article 370 led to the creation of a separate flag and separate constitution, which engendered feelings of separatism and regional autonomy, misleading the youths and ultimately gave birth to terrorism, corruption and misgovernance. The state had to face isolation from mainstream development programmes and policies brought in by central governments.

that a permanent solution to the Kashmir problem was related to the abrogation of Article 370. Under Nehru's influence, the government did not pay any heed to this advice. In another instance, during a debate on Article 370, Nehru told the House that it is a temporary provision and its erosion will happen gradually. But Article 370 did not erode. It became stronger, making the lives of common citizens difficult in the erstwhile state of J&K.

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Ambedkar and Syama Prasad Mookerjee were the two non-Congress ministers in the interim government (1947-52) led by Nehru. It is important to note that on the issues related to J&K, the concurrence in the views of both intellectuals is clearly visible. During the first general election (1951-52), the Praja Parishad and Jana Sangh, led by Mookerjee, adopted a stand similar to that of Ambedkar — to bring J&K fully under the Constitution of India by repealing Article 370. In 1964, a few Congress parliamentarians also supported the move to abrogate Article 370.

Now, with the scrapping of Article 370, the country has taken a historic decision and a new era has begun in Jammu, Kashmir and Ladakh. It appears that the measure taken by Narendra Modi to correct a historic blunder is a humble tribute to Babasaheb Bhimrao Ambedkar.

The writer is Union Minister of State for Parliamentary Affairs and Heavy Industries & Public Enterprises

Spy who came in from the cold

RN Kao, R&AW's first chief, laid the foundations of Indian espionage



VAPPALA BALACHANDRAN

allowed them to gain influence in the game of power politics. Kao was groomed by Mullik in undertaking these external intelligence tasks.

Kao's first overseas assignment was helping the Hong Kong police in investigating one of the earliest cases of aviation terrorism. On April 11, 1955 Air India's "Kashmir Princess" to Jakarta, carrying delegates for the Afro-Asian Conference in Bandung, crashed into the sea. China's Prime Minister Zhou Enlai, who was to have been on the flight, escaped since he cancelled his trip at the last moment. Investigation revealed suspected Taiwanese involvement through an airport cleaner, who planted American made MK-7 detonator. Years later, a French source revealed that Zhou, who was the founder of Chinese intelligence, was alerted in advance by his sources.

The 1971 Indo-Pak war which split Pakistan was the high point of Kao's career. However, the task was not easy as Kao had to face bureaucratic hurdles at every stage in 1968 to create a separate foreign intelligence unit. He used to tell me that apart from old colleagues' obstructive tactics, he also had to overcome a scheming deputy secretary in the Cabinet Secretariat, who would whittle down all higher level decisions on financial, administrative and operational issues.

Kao founded the Research and Analysis Wing (R&AW) in 1968 and headed it till 1977. Within a short time after setting it up, he was able to recruit a large number of persons with special skills, not available through nor-

mal bureaucratic channels, with great results. He hired a retired army officer whose unit could intercept advance intelligence on Pakistan's pre-emptive air attack on December 3, 1971. The satellite monitoring facility set up by his part-time aide, who was working full-time in another technical department, came in handy even later during the Pakistan's clandestine nuclear bomb project period.

Kao would not agree to record his significant role in creating Bangladesh. Former minister Jairam Ramesh has done a great service in unearthing the historical record of the 1971 operations while writing his seminal biography of P N Haksar (PNH). He could find from PNH's archives the latter's proposal to the prime minister to make Kao the coordinator of a high-level committee on deciding aid to Bangladesh freedom fighters. Indira Gandhi issued the order on March 2, 1971, constituting this committee designating Kao as the convener.

Kao was at his best while interacting with foreign intelligence chiefs with whom he cultivated personal bonds. Volumes could be written on his silent contribution in building up high-level relationship to protect and expand our strategic interests, achieving what normal diplomacy could not. Mossad chief Nahum Admoni has told me that he was an admirer of Kao. I was a witness to Kao's personal friendship with the then French external intelligence chief, Le Conte Alexandre de Marenches, the colourful aris-

to-crat, nick named "Porthos" because of his size, who held the longest tenure of directorship of the French external service DSECE, now called DGSE.

It was Marenches-Kao-Nematollah Nassiri (of Iran's Savak) who conceived the idea of "Trilateral cooperation" between France, India and the Shah's Iran in the mid Seventies to carve out an independent role, to offset the growing US-USSR rivalry in the Indian Ocean. Unfortunately, this secret project could not last as Kao demitted office in 1977. Nassiri was killed by the Khomeni regime in 1979 and Marenches was sacked by President Mitterrand.

When Indira Gandhi returned to power, she made Kao the senior security advisor in 1981. Kao was the first to conclude that it was not enough that intelligence is collected through different agencies but that somebody should coordinate and arbitrate the output before presenting it to the policy makers. He thus set up the foundations of a future National Security Council system by establishing a "Policy and Research Staff" (PARS) to function as a think tank and policy adviser to the government. In doing this, he practised what Henry Kissinger said much later: "The Security Adviser's contact with media and foreign diplomats should be to the minimum. Conduct of foreign policy should be left to the Secretary of State".

The writer is a former Special Secretary, Cabinet Secretariat

LETTERS TO THE EDITOR

DIALOGUE NEEDED

THIS REFERS TO the editorial, 'World and Valley' (IE, August 19). That we need to engage with the world over the current and past issues in Jammu and Kashmir with more alacrity and less reservation is evident from the nuanced responses from both our traditional friends and foes. Domestically, too, there is a need for dialogue and transparency with respect to the Opposition. Kashmir is just one among many issues that will test us as a polity. A healthy attitude towards the Opposition, and an internal dialogue, can only add to our standing in globally.

R Narayanan, Navi Mumbai

A MIRAGE

THIS REFERS TO the article, 'Valley's new dawn' (IE, August 19). It is surprising that Minister Ravi Shankar Prasad has not mentioned the "new dawn" of a sense of alienation and betrayal in the Valley, which has been consolidated by the short-sightedness of the current government on August 5. Just talking about some success stories and building a narrative that a new dawn of development has come constitute a mirage. The government does not seem to realise that armies can win territories but not hearts.

Mohsin Ilahi, Aligarh

AFTER MONSOON

THIS REFERS TO the editorial, 'A game of

LETTER OF THE WEEK AWARD

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

THE WINNER RECEIVES SELECT EXPRESS PUBLICATIONS

change' (IE, August 19). The monsoon and Indian agriculture have been connected for a long time. The farmers' cropping cycle is also a result of this relationship. Before the era of artificial irrigation, most of our cropland were rain-fed. So, the farm community dug ponds as reservoirs of water and kept the water for use in the non-monsoon season. Those practices must be revived and strengthened, especially as climate change is making the monsoon more unreliable.

Tapomoy Ghosh, Katwa,



@ieExplained

#ExpressExplained

If there are questions of current or contemporary relevance that you would like explained, please write to explained@indianexpress.com

THIS WORD MEANS

TARDIGRADE, THE WATER BEAR

They can survive the most difficult conditions. Have they now populated the Moon?



Getty Images

ON APRIL 11, the Israeli spacecraft Beresheet attempted to land on the Moon, but crashed on the surface. It was carrying a number of items — including thousands of specimens of a living organism called tardigrade. The tardigrade, also known as water bear, is among the toughest and most resilient creatures on Earth. The question is: did the thousands of dehydrated tardigrades on Beresheet survive the crash? And if they did, are they now living on the Moon?

The tardigrade can only be seen under a microscope. Half a millimetre long, it is essentially a water-dweller but also inhabits land and, a 2008 study found, can survive in the cold vacuum of outer space. In 2017, another study found that if all other life were to be wiped out by a cataclysmic event — a large asteroid impact, a supernova or a gamma-ray burst — the tardigrade would be the likeliest to survive. The tardigrade can endure extreme hot and cold temperature levels.

Although the tardigrades on the spacecraft were dehydrated, the organism is known to “come back to life” on rehydration. In fact, they themselves expel water from their bodies and set off a mechanism to protect their cells, and can

still revive if placed in water later. However, there is no evidence of liquid water on the Moon, although there is ice. Without liquid water, it is possible that the tardigrades will remain in their current state, unless future astronauts find them and revive them in water.

The tardigrade derives its name from the fact that it looks like an eight-legged bear, with a mouth that can project out like a tongue. Its body has four segments supported by four pairs of clawed legs. A tardigrade typically eats fluids, using its claws and mouth to tear open plant and animal cells, so that it can suck nutrients out of them. It is also known to feast on bacteria and, in some cases, to kill and eat other tardigrades. Although they are famed for their resilience, they are destructible too. Should a human being swallow a tardigrade with her food, her stomach acid will cause the flesh of the tardigrade to disintegrate.

On the Moon, should they find liquid water and revive, the tardigrades might not last very long in the absence of food and air, according to *Live Science* magazine, which quoted Kazuharu Arakawa, a tardigrade researcher at Keio University in Tokyo.

UDIT MISRA

NEW DELHI, AUGUST 19

BOND YIELDS have featured in news reports both globally and within India in recent months. In India, government bond yields fell sharply in the wake of the Union Budget, although they have come off the lows in the past few weeks. Internationally, US treasury bond yields plummeted last week, but they too have moderated after it became clear that governments almost everywhere have shown the desire to boost economic growth.

What are bonds?

A bond is an instrument to borrow money. It is like an IOU. A bond could be floated/issued by a country's government or by a company to raise funds. Since government bonds (referred to as G-secs in India, Treasury in the US, and Gilts in the UK) come with the sovereign's guarantee, they are considered one of the safest investments. As a result, they also give the lowest returns on investment (or yield). Investments in corporate bonds tend to be riskier because the chances of failure (and, therefore, the chances of the company not repaying the loan) are higher.

What are bond yields?

Simply put, the yield of a bond is the effective rate of return that it earns. But the rate of return is not fixed — it changes with the price of the bond. But to understand that, one must first understand how bonds are structured. Every bond has a face value and a coupon payment. There is also the price of the bond, which may or may not be equal to the face value of the bond.

Suppose the face value of a 10-year G-sec is Rs 100, and its coupon payment is Rs 5. Buyers of this bond will give the government Rs 100 (the face value); in return, the government will pay them Rs 5 (the coupon payment) every year for the next 10 years, and will pay back their Rs 100 at the end of the tenure. In this case, the bond's yield, or effective rate of interest, is 5%. The yield is the investor's reward for parting with Rs 100 today, but for staying without it for 10 years.

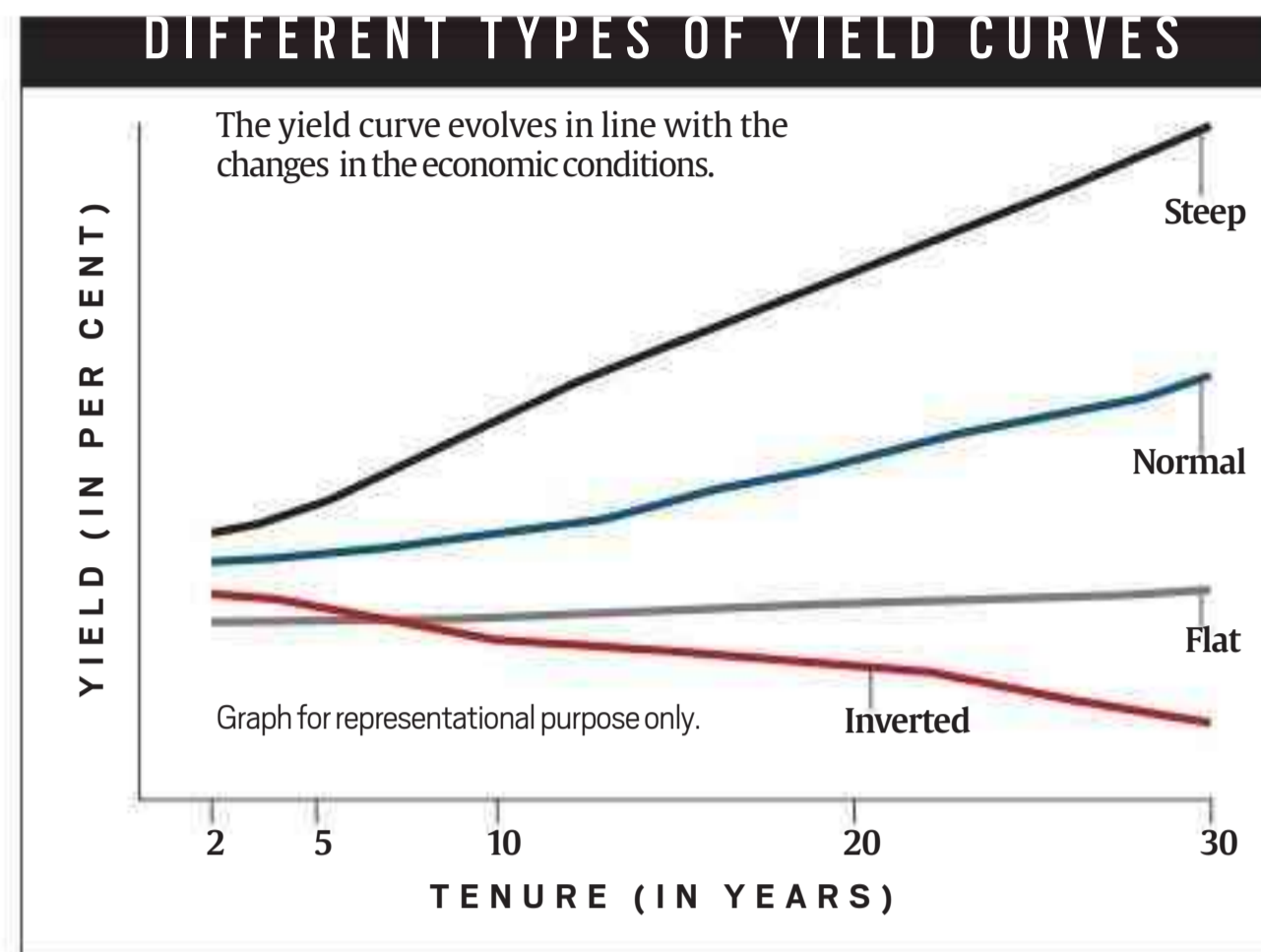
Why and how do yields go up and down?

Imagine a situation in which there is just one bond, and two buyers (or people willing

SIMPLY PUT QUESTION & ANSWER

Bonds, yields, and inversion

As talk of a recession gets louder globally, bond yields are being keenly watched. A government bond yield curve most accurately reflects what investors think about current and future economic growth prospects



to lend to the government). In such a scenario, the selling price of the bond may go from Rs 100 to Rs 105 or Rs 110 because of competitive bidding by the two buyers. Importantly, even if the bond is sold at Rs 110, the coupon payment of Rs 5 will not change. Thus, as the price of the bond increases from Rs 100 to Rs 110, the yield falls to 4.5%.

Similarly, if the interest rate in the broader economy is different from the initial coupon payment promised by a bond, market forces quickly ensure that the yield aligns itself with the economy's interest rate. In that sense, G-sec yields are in close sync with the prevailing interest rate in an economy. With reference to the above example, if the prevailing interest rate is 4% and the government announces a bond with a yield of 5% (that is, a face value of Rs 100 and a coupon of Rs 5) then a lot of people will rush to buy such a bond to earn a higher interest rate. This increased demand will start pushing up bond prices, even as the yields fall. This will carry on until the time the bond price reaches Rs 125 — at that point, a Rs-5 coupon payment would be equivalent to a yield of 4%, the same as in the rest of the economy.

This process of bringing yields in line with the prevailing interest rate in the economy works in the reverse manner when interest rates are higher than the initially

promised yields.

What is happening to US gov't bond yields at present? What does it signify?

The global economy has been slowing down for the better part of the last two years. Some of the biggest economies are either growing at a slower rate (such as the US and China) or actually contracting (such as Germany).

As a result, last week, US Treasury bond yields fell sharply as there was confirmation of slowdown in Germany and China. Reason: investors, both inside the US and outside, figured that if growth prospects are plummeting, it makes little sense to invest in stocks or even riskier assets. It made more sense rather, to invest in something that was both safe and liquid (that is, something that can be converted into cash quickly). US Treasury bonds are the safest bet in this regard. So, many investors lined up to buy US Treasury bonds, which led to their prices going up, and their yields falling sharply.

The fall in the yields of 10-year government bonds showed that the bond investors expected the demand for money in the future to fall. That is why future interest rates are likely to be lower. A lower demand for money in the future, in turn, will happen only

when growth falters further. So government bond yields falling typically suggests that economic participants “expect” growth to slow down in the future.

Of course, the bond yields are just “suggesting” this — they do not “cause” the growth to “reduce” in the future.

And what is a yield curve, and what does it signify?

A yield curve is a graphical representation of yields for bonds (with an equal credit rating) over different time horizons. Typically, the term is used for government bonds — which come with the same sovereign guarantee. So the yield curve for US treasuries shows how yields change when the tenure (or the time for which one lends to the government) changes. If bond investors expect the US economy to grow normally, then they would expect to be rewarded more (that is, get more yield) when they lend for a longer period. This gives rise to a normal — upward sloping — yield curve (see chart).

The steepness of this yield curve is determined by how fast an economy is expected to grow. The faster it is expected to grow the more the yield for longer tenures. When the economy is expected to grow only marginally, the yield curve is “flat”.

What then is yield inversion, and what does it mean?

Yield inversion happens when the yield on a longer tenure bond becomes less than the yield for a shorter tenure bond. This, too, happened last week when the 10-year Treasury yield fell below the 2-year Treasury yield.

A yield inversion typically portends a recession. An inverted yield curve shows that investors expect the future growth to fall sharply; in other words, the demand for money would be much lower than what it is today and hence the yields are also lower.

How good is yield inversion at predicting a recession?

Although US Commerce Secretary Wilbur Ross was quoted as saying Monday that “eventually there'll be a recession but this inversion is not as reliable, in my view, as people think”, yet US data show historically that barring one episode in the mid-1960s, a yield inversion has always been followed by a recession.

TIP FOR READING LIST

A MACHINE CALLED SOCIAL MEDIA

IN 1922, the Swiss-German painter Paul Klee sketched “Twittering Machine” in watercolour and pen-and-ink oil transfer on paper, showing some birds on a wire (or branch) connected to a hand-crank. It has been interpreted in various ways — including as a depiction of machinery lurking nature to its ruin. In an online presentation, New York's Museum of Modern Art describes the relationship between birds and machines: “The ‘twittering’ in the title doubtless refers to the birds, while the ‘machine’ is suggested by the hand crank. The two elements are, literally, a fusing of the natural with the industrial world...”

Political writer and broadcaster Richard Seymour argues that the artwork is a metaphor for humans' present-day relationship with social media. His new book has the same name as Klee's sketch.

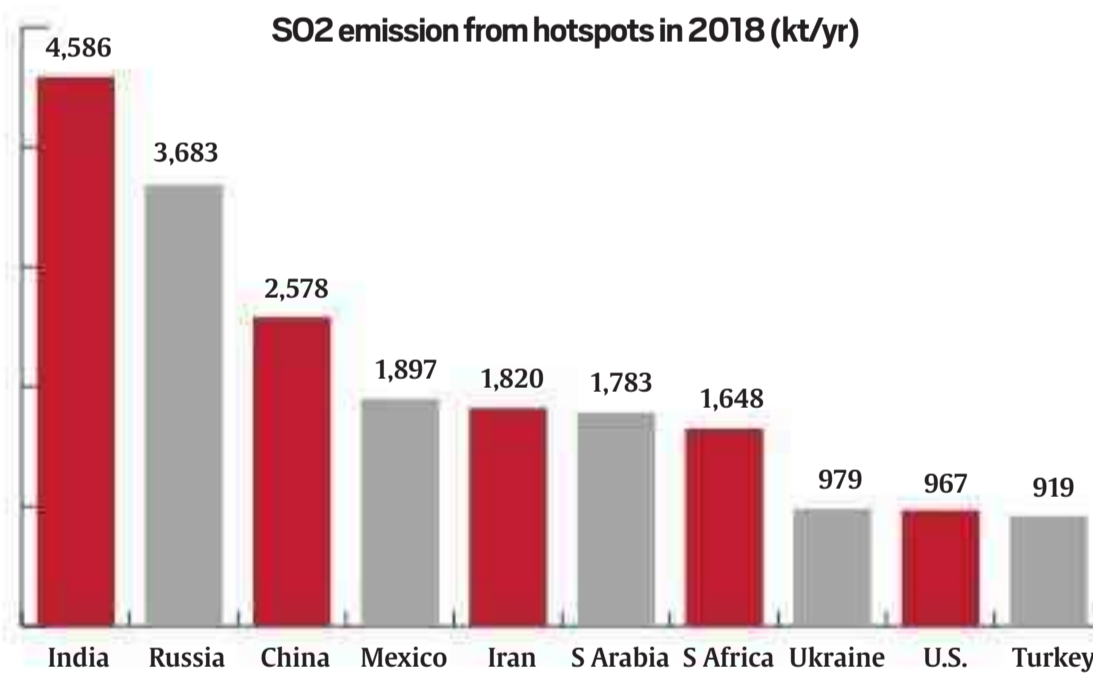
The Twittering Machine uses insights from users, developers, security experts

and others to probe what we are getting out of the social media machine, and what we are getting into. It argues that the system is an addiction-machine. “We are users, waiting for our next hit as we like, comment and share. We write to the machine as individuals, but it responds by aggregating our fantasies, desires and frailties into data, and returning them to us as a commodity experience,” the publisher's description says.

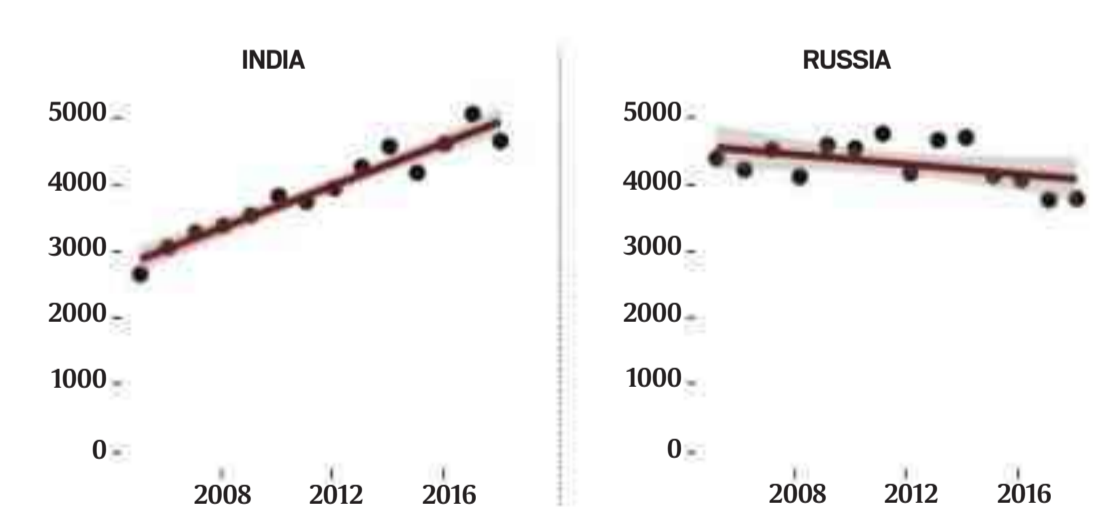
In its review of the book, *The Guardian* says: “The twittering machine, as Seymour calls it, has no innate morality, but it preys on our weaknesses to monopolise our attention and modify our behaviour. We are left jangled, needy, constantly alert for the chirp that announces some new and unnecessary missive, ever ready to resume our chore of clicking the ‘like’ button, surrendering to the advertisers who gather up the personal data we so guilelessly provide.”



TELLING NUMBERS



Trends in anthropogenic SO2 emissions by country since 2005



India biggest emitter of sulphur dioxide: report using NASA data

EXPRESS NEWS SERVICE
BEIJING, AUGUST 19

A NEW report by Greenpeace India shows the country is the largest emitter of sulphur dioxide in the world, with more than 15% of all the anthropogenic sulphur dioxide hotspots detected by the NASA OMI (Ozone Monitoring Instrument) satellite. Almost all of these emissions in India are because of coal-burning, the report says.

The vast majority of coal-based power plants in India lack flue-gas desulphurisation technology to reduce air pollution.

The Singrauli, Neyveli, Talcher, Jharsuguda, Korba, Kutch, Chennai, Ramagundam, Chandrapur and Koradi thermal power plants or clusters are the major emission hotspots in India, the report says.

In a first step to combat pollution levels, the Ministry of Environment, Forest and Climate Change introduced, for the first time, sulphur dioxide emission limits for coal-fired power plants in December 2015. But the

deadline for the installation of flue-gas desulphurisation (FGD) in power plants has been extended from 2017 to 2022.

The report also includes NASA data on the largest point sources of sulphur dioxide.

The largest sulphur dioxide emission hotspots have been found in Russia, South Africa, Iran, Saudi Arabia, India, Mexico, United Arab Emirates, Turkey and Serbia.

Air pollutant emissions from power plants and other industries continue to increase in India, Saudi Arabia and Iran, the report says.

In Russia, South Africa, Mexico and Turkey, emissions are currently not increasing — however, there is not a lot of progress in tackling them either.

Of the world's major emitters, China and the United States have been able to reduce emissions rapidly. They have achieved this feat by switching to clean energy sources; China, in particular, has achieved success by dramatically improving emission standards and enforcement for sulphur dioxide control.

From American Wild West to Europe war theatres, evolution of razor wire

SMITA NAIR
PANAJI, AUGUST 19

AT A number of places in the Kashmir Valley, security forces have put coils of concertina wire on roads to enforce restrictions on movement. Concertina wire fences are used along territorial borders and in theatres of conflict around the world, to keep out combatants, terrorists, or refugees.

The Nomenclature

The expandable spools of barbed or razor wire get their name from concertina, a hand-held musical instrument similar to the accordion, with bellows that expand and contract. Concertina wire coils were an improvisation on the barbed wire obstacles used during World War I. The flat, collapsible coils with intermittent barbs or blades were designed to be carried along by infantry, and deployed on battlefields to prevent or slow down enemy movement.

The early avatars

The Englishman Richard Newton is credited with creating the first barbed wire around 1845; the first patent for “a double wire clipped with diamond shaped barbs” was given to Louis François Janin of France. In the United States, the first patent was registered by Lucien B Smith on June 25, 1867, for a prairie fence made of fireproof iron wire. Design innovations and more patents followed; Michael Kelly twisted razor wires together to form a cable of wires.

The American businessman Joseph F Glidden is considered to be the father of the modern barbed wire. His design of two strands of intertwined wire held by sharp prongs at regular intervals, won a famous legal victory against the US Patent and Trademark Office in 1874.

Non-military uses

Barbed wire was initially an agrarian fencing invention intended to confine cattle and sheep, which unlike lumber, was



A coil of concertina wire in Srinagar last week. PTI

largely resistant to fire and bad weather. An advertorial published in the US in 1885 under the title “Why Barb Fencing Is Better Than Any Other”, argued that “it does not decay; boys cannot crawl through or over it; nor dogs; nor cats; nor any other animal; it watches with argus eyes the inside and outside, up, down and lengthwise; it prevents the ‘ins’ from being ‘outs’, and the ‘outs’ from being ‘ins’, watches at day-break, at noon-tide, at sunset and all night long...”

Barbed wire soon became a symbol of power and property, changing the sociopolitical and economic landscape of the American West, converting the undefined prairies into private properties, and making the roaming cowboy on horseback increasingly redundant.

Evolution of concertina

Barbed wire was put to military use in the Siege of Santiago in 1898 during the Spanish-American War, and by the British in the Second Boer War of 1899-1902 to

confine the families of the Afrikaans-speaking Boer fighters.

World War I saw extensive use of barbed wire — and German military engineers are credited with improvising the earliest concertina coils on the battlefield. They spun barbed wire put up by the Allied soldiers along the Hindenburg Line on the Western Front into circles, making it more effective against infantry charges. Both sides eventually used concertina wire, which did not, unlike traditional barbed wire, require too much support infrastructure or nailing down, and could simply be spread on the battlefield.

Use in Jammu and Kashmir

The fence erected by India along the Line of Control to keep out terrorist infiltrators consists of rows of concertina wire coils held by iron angles. Concertina coils have long been deployed during curfews in the Valley. They are now commonly seen elsewhere in India too, and are used to secure private properties as well.



Something special

India and Bhutan have a good thing going; each must take the other's concerns seriously

Prime Minister Narendra Modi's two day visit to Thimphu affirmed a long-standing tradition between India and Bhutan, where the leaders of both countries have given visiting each other a major priority early in their tenures. Mr. Modi returned a state visit to India by Bhutan Prime Minister Dr. Lotay Tshering in December 2018; this visit was actually delayed to include outcomes such as the inauguration of the 720 MW Mangdechhu hydropower plant. The relationship is indeed built on a traditional closeness, one that is unique in today's world. Open borders, close alignment and consultation on foreign policy, and regular, open communications on all strategic issues are the hallmark of the relationship that has maintained its consistency for the past many decades. Bhutan's unequivocal support to India on strategic issues has meant a lot to India on the international stage and at the United Nations. Equally, Bhutan's leadership has not flinched in opposing threats to India; for instance, the former King's efforts in 2003 to drive out ULFA rebels or more recently, support for India's stand against Chinese troops on the Doklam plateau. India's assistance to Bhutan's planned economy, to constructing its highest revenue earner of hydropower generated electricity, and then buying the electricity generated has also ensured a symbiotic and mutually beneficial base to the relationship, which has been nurtured by the leaders in both countries, in a manner Mr. Modi called "exemplary".

It would however, be a mistake for New Delhi to take the relationship with Thimphu for granted. In the past few years, ties came under a strain over India's sudden change in its power purchasing policy, rigid rates and refusal to allow Bhutan to join the national power grid and trade with third countries like Bangladesh. These issues are being addressed now. Another concern that could create differences is over Bhutan's worry that too much trade, transport and tourism from India could put its environment at risk. India's plans for a Motor Vehicles Agreement (MVA) in the Bangladesh-Bhutan-India-Nepal grouping have been held up, and a Bhutanese proposal to levy entry charges on Indian tourists could cause differences with India. Earlier generations of Bhutanese students never looked beyond India, but in recent years young Bhutanese have shown a preference for education destinations in Australia, Singapore and Thailand. There is thus much to repair in the ties. More importantly, New Delhi will have to remain alert to strategic powers which are courting Bhutan assiduously, as is evident from the high-level visits from China and the U.S. In a world of growing options, it remains in India's and Bhutan's best interests to make each other's concerns a top priority.

Soldier Number One

The creation of the post of CDS is a comment on the security environment

The creation of the post of the Chief of the Defence Staff, which Prime Minister Narendra Modi announced in his Independence Day address, fulfils a long-felt and consistently articulated need to strengthen India's defence posture. Considering that the Prime Minister underlined this announcement by saying that this was an "important" development, it gives legitimate pause to wonder why this has taken so many decades. Indeed, Manohar Parrikar, as Defence Minister, had said this was on the cards. Yet, two Defence Ministers came and went, Arun Jaitley and Nirmla Sitharaman, and this logical step was not taken. Since this is to be a 'single-point' advisory position to the government, there must have been entrenched opposition to this becoming reality. Ultimately the decision must have been thrust centre stage by the current strategic environment. What was always desirable became an urgent necessity. Pulwama and Balakot, the repeated offers for mediation in Kashmir by the U.S. President, the imminent pull-out of American troops from Afghanistan, which would leave Pakistan and its proxies the dominant players on the ground with a strong chance of blowback into Kashmir, as well as the abrogation of Articles 370 and 35A, are factors that have come together to confer urgency to taking this step. The forces will no doubt have to be on a heightened sense of alert and in a seamless state of coordination to meet the challenges.

Now, the ambit of the office, the tenure, and who will hold the post, will have to be decided soon. Consider briefly what transpired during Kargil, after which the Kargil Review Committee strongly recommended setting up the CDS: It took a fortnight after the incursions were initially detected before the Indian Air Force (IAF) could be pressed into countermeasures: the then Indian Army Chief was away on a foreign tour, there was inadequate appreciation of the ground situation by the Indian Army, and poor sharing of intelligence, and the squabbling between the IAF and the Indian Army over whether to use helicopters or fixed wing aircraft and how and who should call the shots, comprehensively blunted the initial response. The CDS is expected to bridge such dangerous gaps and reduce response time. It is envisaged he will keep the Defence Minister, continuously and fully briefed and effectively advised, be part of the adjunct apparatus of the Cabinet Committee on Security Affairs, and better link the three services in terms of planning, coordination and execution. It will certainly leave the three service chiefs to focus on running their arms of the forces more efficiently. This move will no doubt bring the strategic forces under the CDS as well. The government should use the opportunity to ramp up the intelligence apparatus that is concomitant to this office.

The far right's disruption of globalisation

Donald Trump's emulators have tapped into globalisation's long-standing discontents



C.P. CHANDRASEKHAR

By launching a trade war against China, the United States government that had pressured many a country to liberalise trade and globalise seems to have turned against its own agenda. In a series of aggressive moves, the U.S. – the one-time votary of freer trade – has put in place and widened the coverage of a protectionist shield aimed at stimulating domestic production and reducing the country's trade deficit. While these moves initiated by the Donald Trump administration were on occasion targeted at multiple countries and involved rewriting the North American Free Trade Agreement with Canada and Mexico, the focus of the trade and technology war has been China.

Steps against China

China-specific tariff aggression began with a 25% tariff on imports worth \$50 billion, out of the total of \$540 billion imported by the U.S. from China in July 2018. Soon, an additional \$200 billion worth of imports from China were subjected to tariffs of 10%, and those levies were also raised to 25% in May this year. Most recently on August 1, the balance of around \$300 billion worth of imports from China were subjected to a phased 10% levy, with a clear threat that these levies too can be raised to 25%. China's responses to U.S. actions, which came at every step of the trade war, have in turn led to the \$120 billion of goods it imports from the U.S. being subject to a

25% duty. The U.S. has also imposed sanctions on and shut off business relations with individual Chinese firms, such as Huawei, on grounds varying from national security to alleged theft of intellectual property from U.S. firms. This prevents the firms targeted from either selling in U.S. markets and that of its allies or buying goods, services and technology from U.S. firms or those of its allies.

Parallel to all this, based on the allegation that the Chinese authorities have deliberately allowed the yuan to depreciate *vis-à-vis* the dollar to support its exporters, the U.S. Treasury has designated China as a currency manipulator. What additional action that would lead to is yet unclear. What is clear, however, is that given the importance of China as a global manufacturing hub, these measures have disrupted global value chains and production networks that are the hallmark of globalisation. De-globalisation may yet be a distant prospect, but the fact that the world's leading superpower is willing to disrupt globalisation provides both an example and the justification to other governments that find the need to move in that direction.

The U.S. argument

The U.S. justifies its actions against China by citing that country's significance as a source of inadequately reciprocated imports into the U.S. Imports from China account for more than a fifth of aggregate U.S. imports. With exports to China being nowhere as large, the U.S. runs an annual trade deficit with that country of around \$420 billion, which 'imbalance' is attributed to Chinese policy.

There are, however, two important facts that this argument sidesteps. First, the gains to the U.S. from its economic relationship



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with China are inadequately captured by the trade figures. A major gain for U.S. companies, even if not for the U.S. per se, is the local sales by subsidiaries of American multinationals located in China. Official statistics from the U.S. indicate that U.S. multinational affiliates based in China notched up local sales of \$222 billion in 2015, which do not figure in trade calculations. Second, these subsidiaries are responsible for a chunk of China's exports to the U.S. According to one estimate, more than half of Chinese exports to the U.S. originate in foreign invested enterprises which are either U.S. multinational arms or firms with parents in other advanced economies. That is, the U.S. trade deficit with China is the result of the off-shoring associated with globalisation, rather than to Chinese policy favouring its own firms.

Reading Trump

Not surprisingly, it troubles the neoliberal policy establishment that the fallout of this kind of trade aggression can set back globalisation across the world. Members of the G20 other than the U.S. have strenuously and unsuccessfully tried to get the latter to sign on to another call for strengthening free trade. The International Monetary Fund, the World Trade Organisation and a host of international institutions have warned of the dangers of the

new protectionism. Implicit in their reasoning is that the tariff aggression is an error being made by a maverick or misguided administration. But that does not take into account the fact that Mr. Trump had been railing against trade agreements that hurt the U.S. even in the course of his election campaign and withdrew from the Trans-Pacific Partnership Agreement days after he took office. It also ignores the fact that a section hurt by the Trump tariffs – U.S. farmers for whom China was a \$6 billion market in 2018 with it absorbing 60% of U.S. soyabean exports – still support him. A survey by the Purdue Center for Commercial Agriculture found that 78% of farmers held that the Trump tariffs will in time benefit them and a Pulse survey by *Farm Journal* found that Mr. Trump had a 79% approval rating among farmers.

The faith in Mr. Trump and rejection of economic liberalism are telling. These farmers along with U.S. industrial workers have for long felt they had been left behind in the neoliberal years when elites in developed and developing countries alike captured all the benefits of growth and inequality increased hugely. With the increase in income and wealth at the top of the pyramid accruing largely through transactions in the financial sector, productive activity that could have delivered benefits to others has been lagging.

The idea that the benefits of whatever growth occurred under the neoliberal regime would trickle down to the poor and lower middle classes was shown to be what it was: patently false. Seen in that context, Mr. Trump is no maverick, despite his wild twitter and vocal outbursts. He tapped into a genuine grievance and railed against elements of a regime he too was a beneficiary of. That

brought him to power once. It may well return him to power again. When in power he needs to adopt at least some policies that go against the grain of free market philosophy and the globalisation that flows from it.

In Europe

This is not confined to the U.S. comes through from the rise of what is dismissed as "right wing populism" in Europe, which is not just sceptical of free trade even within the European Union but is coming out against the fiscal conservatism promoted by financial interests that leaves the continent mired in a trajectory of low growth and high unemployment and individual countries reeling under austerity. Combining this with anti-immigrant rhetoric delivers a toxic mix that is helping them gain popularity and even a seat in some governments. On the other hand, sections of the centre left that had bought into the neoliberal paradigm are being shown the door. The pleasure derived by the advocates of neoliberalism from the significant decline of the left in the decades since the collapse of the Soviet Union (which deprives the progressive critique of neoliberalism of a strong political base) has proved short-lived.

Needless to say, the far right is hardly committed to the anti-globalisation strain implicit in its rhetoric. It is as wedded to the hegemony of capital and the markets as are the neoliberal dogmatists. Their ideological pragmatism is opportunistic and fickle. Yet for the moment, their actions, especially that of Mr. Trump, have disrupted globalisation.

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Democracy under siege

Liberty, equality and fraternity are becoming subservient to a new idea of sovereignty



DUSHYANT DAVE

The Constituent Assembly formation was the culmination of the final stage of the struggle for freedom and independence, which was won by the supreme sacrifices made by millions of Indians. People across the length and breadth of the country made sacrifices in one way or the other. On January 26, 1950, India got its Constitution. Every succeeding generation in India owes an eternal debt of gratitude to the country's forefathers for this 'sacred text'. There is absolutely no doubt that we must keep the spirit of this text as well as the letter, while also protecting Constitutional values and its morality.

However, the current state of affairs in the country is an example of how the Constitution is slowly and steadily being made to wither away. Parliament, the judiciary and the executive are all under stress. Things are going wrong in these fast-changing times. People are moved, and getting moved, by

an ideology which is apparently in conflict with constitutional ethos and basic human values. As a result, people are tired of a government by the people and are instead leaning to support a government for the people. They are indifferent to whether it is a government of the people and by the people. Dr. B.R. Ambedkar warned us "not to be tardy in the recognition of the evils that lie across our path and which induce people to prefer Government for the people to Government by the people". But have we paid heed to this warning?

A missing debate

Today, liberty, equality and fraternity are becoming subservient to a new idea of sovereignty. Ultra-nationalism has trampled over basic human rights and the dignities of citizens, especially of the "down-trodden" and the "minorities". Constitutionalism is being forgotten. As a result democratic principles are unable to check legislative, judicial and executive powers. Each organ is paying lip service to this fundamental principle. Examples are writ large in front of us and happen everyday.

The government's focus on certain ideological issues to drive home its agenda is a serious point



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to be debated. A political party that is in power can push through its policies. But when it becomes an obsession to the point of neglecting real issues, it poses a challenge.

The ruling party cannot be satisfied with chest thumping on Triple Talaq or the abrogation of Article 370. Where are the much-needed discussions on poverty, the economic slowdown, hate crimes, the rise in population and agrarian distress? Why not 'wage war' on these issues?

The government's strategy on the abrogation of Article 370 is by far the most serious challenge to federalism. The bifurcation of Jammu and Kashmir is most condemnable. Does this not pave the way for any government with a majori-

ty to carve up States based on a whim?

Stepping back

The judiciary, especially the Supreme Court of India, is the custodian of the fundamental rights of citizens under the Constitution. But the problem is not the absence of the law but of its implementation. The judiciary's blanching over protecting the fundamental rights of the citizens of Jammu and Kashmir points to its abdication of carrying out its duty.

The judiciary itself has held that a judicial review of actions by the Executive is a part of the basic structure and has even proclaimed that "there are no unreviewable discretions under the constitutional dispensation". If one can go by various judgments, it is dutybound to inquire into the legitimacy of the exercise of powers.

Article 21, which is about the "protection of life and personal liberty", has been infused with new and enriched life by the judiciary. But in Jammu and Kashmir, restrictions virtually amounting to a deprivation of the liberties of the citizens of Jammu and Kashmir over the past fortnight are not "according to procedure established by law". Using Section 144 of the

Code of Criminal Procedure Code, 1973 in a blanket manner is wholly insufficient as a justification for all that has been done.

Then why is the silence of the higher judiciary so deafening? The reason is not far to fathom. The distance between the judiciary and political and executive leaders is blurring. Where is the expected aloofness?

It was B.R. Ambedkar again who said, "Because I feel, however good a Constitution may be it is sure to turn out bad because those who are called upon to work it, happen to be a bad lot." His strong warning – "It is quite possible for this new born democracy to retain its form but give place to dictatorship in fact. If there is a landslide, the danger of the second possibility becoming actuality is much greater" – does not seem to have registered with our constitutional functionaries. The election result of 2019 is the proof of Ambedkar's prophecy coming true. But sadly, the real protectors of the Constitution do not seem bothered. They are content with allowing the government to have either the last say or the last laugh. Democracy is certainly losing out to populism.

Dushyant Dave is Senior Advocate, Supreme Court of India

LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

Unrest in Kashmir

It is a matter of concern that the situation in Kashmir is still not normal ("Curbs on movement back in Kashmir following clashes", August 19). Recurring incidents of disturbances, even if they are mild, should be taken seriously. If the Centre had taken into confidence the local leaders before abrogating Article 370, the situation could have been handled better.

The Bharatiya Janata Party was never in power in the State except for a couple of years. It is difficult for it to read the pulse of the people on its own. It is time the Centre involved local leaders in decision-making. Whatever happens in Jammu and Kashmir reverberates not only in other parts of India but also along the globe.

V. SUBRAMANIAN,
Chennai

■ It is typical of the middle class to go with the flow as

they are always more likely to side with the powerful rather than the powerless. This has always been the case, irrespective of which party is in power (Editorial page, "The Idea of India" is failing", August 19). What happens in Kashmir has very little relevance in the lives of middle-class citizens in India as they are not directly affected.

KARTHIK G.,
Chennai

■ It's important that we merge J&K with India completely because it borders a nation that has the intention of disturbing our internal security by making Kashmiris victims of terrorism. The writer says we think of Kashmir only as a tourist spot but that was because of the hurdle of Article 35A. If no one was allowed to make Kashmir their home, how could they develop a bond with the place? The move by the government was definitely not

constitutional but the motive is right, which is to secure the interest of the Union of India.

AUM CHHAYA,
Rajkot, Gujarat

■ It is because of a majoritarian mindset that Indians now believe that whatever Prime Minister Narendra Modi and Home Minister Amit Shah do is what the country really needs. Announcing suddenly drastic moves such as demonetisation and the abrogation of Article 370 while keeping an entire State in the dark is not how a democracy functions. Due to this one-man (or two-men) show, there is a decline in the spirit of secularism and fraternity.

ELOWN M. ALWYN,
Bengaluru

Policy of No First Use

Is the government contemplating a change in its 'No First Use' policy to checkmate Pakistan or is this mere posturing to lure the

people into believing that it can go to any extent to protect the nation from foreign aggression, be it from Pakistan or China (Editorial page, "An intervention that leads to more questions", August 19)? There must be clear enunciation of the policy in order to clear confusion and open up the issue for wider debate and discussion.

V. PADMANABHAN,
Bengaluru

■ India has so far remained a responsible nuclear power despite not being a signatory to the nuclear Non-Proliferation Treaty. India's bid to enter the Nuclear Suppliers Group has been supported by several countries only because of its clean nuclear record. It's unfortunate that the Defence Minister Rajnath Singh's ambiguous statement will undermine India's credibility in the global arena. The change in the 'No First Use' policy could create an arms race in the region. This

would also betray the vision of former Prime Minister Atal Behari Vajpayee.

VIDHYA B. RAGUNATH,
Thanjavur, Tamil Nadu

A rebellious Hooda

In spite of its poor performance in the 2019 Lok Sabha election and knowing well that it is a sinking ship, the high command of the Indian National Congress party has still not learnt how to revitalise the party to take on the BJP. The grand old party seems to be committing a mistake in former Haryana Chief Minister Bhupinder Singh Hooda's case ("Hooda keeps everyone guessing", August 19). Mr. Hooda has been the Chief Minister twice and has a large following, so the Congress should not be egoistic; it should try to solve the issue amicably. His comments on Article 370 should be treated as his personal view. It will be a testing time for the interim president of the party, Sonia Gandhi, to set

things right in Haryana.

D. SETHURAMAN,
Chennai

Head coach again

The reappointment of Ravi Shastri as Team India's head coach was on expected lines and is wise ("Sport" page, "Ravi Shastri's tryst with head coach post extends", August 16). Perhaps the best aspect of Shastri is that he has struck a rapport with not only Virat Kohli, but also other senior players as well. This is a huge asset for Indian cricket as the team cannot afford to be dragged in directions by various personalities. Besides, there is a need for cohesiveness not just between coach, captain, players and support staff, but with selectors as well. This is where Shastri's experience, communication skills and knowledge on modern coaching methods would come in handy.

R. SIVAKUMAR,
Chennai

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Crouching tiger, hidden data

The forest bureaucracy has ensured that tiger survey data continue to be withheld from independent scrutiny



ULLAS KARANTH

The fourth national tiger survey has generated much euphoria, whereas the first one in 2006 had cast a pall of gloom. However, missing from all the four survey reports are details necessary to assess the reliability of the tiger numbers. A brief history of India's tiger censuses can shed some light on this issue. The tradition of reporting tiger numbers dates back to the 1970s. These numbers were based on the 'pugmark census method', which simply assumed that the pugmarks of every tiger could be found, recognised and tallied. As scientific critiques showed, these assumptions failed, rendering the numbers meaningless. However, the forest bureaucracy (the Ministry of Environment and allied institutions) ignored the problem for decades.

New methods

In the 1990s, many tiger scientists and statistical ecologists working in collaboration developed robust new methods for tiger monitoring. These methods could estimate numbers using 'distance sampling' and the extent of tiger habitat employing 'occupancy sampling of tiger spoor'. Critically, they could even directly estimate numbers, survival rates and recruitment in each population employing 'photographic capture-recapture sampling'. These methods were independently honed in tiger reserves across India and over 25,000 sq km in the Western Ghats harbouring 20% of India's tigers.

By 2004, the new methods had rapidly been adopted worldwide for assessing populations of threatened cat species such as leopards and jaguars. However, the Director of India's Project Tiger decided these as fancy sampling methods, inferior to India's indigenous pugmark census.

Then in 2005 came the shocking revelation that all tigers in Sariska Reserve had been poached, even as the pugmark censuses claimed all was well. A Tiger Task Force (TTF) appointed by the Prime Minister discarded the pugmark census. The Di-



Tiger cubs at Tadoba Andhari Tiger Reserve near Nagpur in Maharashtra.
• K.R. DEEPAK

rector of Project Tiger performed a breathtaking backflip, now denouncing the pugmark census as "trash".

I had hoped these dramatic events would lead to a serious revamping of India's tiger monitoring methods. India's remarkable conservation efforts had rescued the tiger from the brink of extinction; they deserved an honest evaluation to identify both successes and failures. The dire situation demanded technically rigorous tiger population surveys conducted by independent, qualified scientists.

However, blocking this progress was a serious conflict of interest: The same forest bureaucracy that managed tiger populations was also expected to assess its own successes or failures by monitoring tiger populations. This had led to the fiascos in Sariska and other places.

Changes in tiger numbers, survival rates, and recruitment in key tiger populations have to be monitored every year to track the fate of tigers in real time. Periodic assessments of colonisation and extinction of tiger populations across larger regions by employing the cost-effective 'occupancy sampling of tiger spoor' method are required. A public-private partnership framework led by qualified scientists is needed to conduct such independent monitoring. However, instead of calling for better monitoring methods, TTF ended up further strengthening bureaucratic monopoly over tiger monitoring. Inevitably, the new National Tiger Estimation method, also created by the forest bureaucracy, ignored or distorted critical elements underpinning the new tiger survey methods. These flaws were masked by misleading technical jargon, hype about ad-

vanced technologies and cursory reviews by 'foreign experts'.

Consequently, in spite of all the effort and expenditure, four tiger surveys have not generated ecologically credible results. Nor are they practically useful. For instance, in spite of spending crores of rupees on official tiger research and monitoring, the government has failed to generate estimates of annual rates of changes in tiger numbers, survival or recruitment in tiger populations at key sites.

Plainly put, the tiger numbers reported are useful only to generate the media spin to meet the needs of the forest bureaucracy and to satisfy momentary public curiosity. This is clear from the 2006 survey report, which made a bold confession: India's tiger numbers had collapsed by a massive 61% (from 3,642 to 1,411 tigers) in just four years! This made no sense because the first number was from the discredited pugmark census and the second from the wobbly new survey method.

However, this confession killed three birds with one stone. It gained public acceptance of the new "scientific method"; it set an unrealistically low baseline of 1,400 tigers, around which future claims could be tailored; and the National Tiger Conservation Authority walked away unblemished from tiger declines, blaming them on State governments.

The results of subsequent surveys show that the new methodology is flexible enough to generate increases or decreases in coarse-scale estimates of tiger numbers and habitat occupancy. And this is what seems to be going on now, in preparation for claiming a 'doubling' of India's tiger population at the next Global Tiger Summit in 2022.

Summit in 2022.

Over the past decade, independent researchers have published several critiques of the design, models and flaws in field implementation in India's tiger surveys. Most of them had to rely on sparse information gleaned from skimpy survey results in the public domain. The magnitude of the problem that could be revealed by a deeper examination of actual survey data is mind-boggling. The forest bureaucracy, however, has stubbornly blocked qualified scientists from conducting any such deeper scrutiny. The astuteness with which it has maintained monopolistic control over tiger monitoring is a testimony to its political skills.

Nothing has changed

While releasing the 2010 tiger survey results, Planning Commission Member Montek Singh Ahluwalia suggested "aggregate tiger survey data" to be shared in the public domain. He pointed out how Economics had progressed through such data transparency. Unfortunately, nothing has changed since. The hiding of tiger data by the forest bureaucracy is in clear defiance of scientific ethics and public interest. Sadly, even larger conservation NGOs have not challenged this.

When Prime Minister Indra Gandhi set out to rescue India's wild tigers, there were less than 2,000 left. Intense struggles of foresters and conservationists for five decades resulted in sporadic population recoveries at some sites, and continuing losses elsewhere. How many tigers should India now aspire for, given that habitat potential exists for 10,000-15,000 tigers? The current crop of forest bureaucrats, in spite of being flush with resources, believe we cannot have more than 3,500. Surely a nation aspiring to be a \$5 trillion economy should set its sights higher? India's political leadership recognises past successes achieved by infusing creativity and private enterprise in sectors like communication technology. These became possible only after jettisoning inefficient, over-funded, self-serving government monopolies, not by pandering to them. Conservation cannot be an exception.

K. Ullas Karanth is Director, Centre for Wildlife Studies, Bengaluru. Views are personal

Can a CDS act as a catalyst for further defence reforms?

In India, a strategic process delivers results only when it is backed by political heft, which this government can provide



ARJUN SUBRAMANIAM

Prime Minister Narendra Modi's announcement from the ramparts of the Red Fort that India will soon have a Chief of the Defence Staff (CDS) is a welcome step and reflects a multi-sectoral urgency within the government to initiate reform. To be honest, this writer had earlier been sceptical about such a measure because of the fear that it would be a piecemeal step without any accompanying change in the Ministry of Defence (MoD).

While the previous dispensations did not display the seriousness and political will needed to view the military as a tool of statecraft, this government's approach seems to be different. The close involvement of the political leadership, ever since the cross-border strikes into Myanmar, in the military's operational matters has probably given it a bird's-eye view of the necessary reforms.

Further, even while acknowledging the military's contribution to national security, Mr. Modi has often expressed concerns about the lack of synergy within the armed forces – not to the media, but directly to the senior leadership of the forces at the Unified Commanders' Conference.

The three services, on their part, have been involved in sparring for space in this debate by protecting their respective turfs and trying to orchestrate some middle-level reform. Here again, this writer has repeatedly argued that to be effective, a top-down approach to defence reform is the only way forward.

Questions and challenges

So, will the CDS be a glorified Chairman of the Chiefs of Staff Committee, or will he be an empowered bridge between the military and the political leadership? Will the government be bold enough to immediately assign him operational responsibilities in a phased manner, or will it follow an incremental approach of first entrusting him with issues such as acquisitions, training and policy? Will there be an accompanying reform in the MoD? These are among the questions that merit serious reflection. It also needs to be assessed whether the military ecosystem has kept pace with the rapid changes in warfare and geopolitics.

The demands and challenges confronting a CDS will be of the kind that the military leadership has never faced before. Balancing national interests, shedding his own service affiliations, and looking after the interests of all the three services will always be a tough act. He must also have the world view and political awareness necessary to engage with diverse stakeholders. As seen from the Western experience, this will happen only after years of joint-service assignments, an exposure to working with government and educational interludes in a military career.

India currently faces multiple security challenges. Ingrained with a mindset shaped by conflicts and face-offs on its land frontiers and near-continuous internal armed conflicts, India's security landscape has been naturally dominated by the Indian Army. Balancing this reality with a realisation that both maritime and air power are going to play an increasingly important role in India's rise as a leading power will be among the initial strategic challenges any CDS faces.

Achieving inter-services synergy

Whether the creation of CDS will lead to the creation of 'integrated theatre commands' is too early to predict. However, four of the immediate tasks for the CDS are: improving inter-services synergy and laying the road map for time-bound integration; attaining seamless integration of the MoD with service headquarters; assuming the operational responsibilities for all tri-service commands and agencies; and steering the creation of integrated battle groups for various contingencies as a precursor to validating the concept of theatre commands.

Cynics will argue that given the difficulties faced by the Chief of Integrated Defence Staff – who had been tasked with a large part of this mandate almost two decades ago – to push for reform at the desired pace, how will the CDS succeed? The simple answer is that, in India, only when political heft is attached to a strategic process will it deliver results. A classic example is the ongoing, politically driven, shift from a reactive and restrained form of deterrence to a more proactive and preventive form. Having bitten the bullet, the Modi government has the needed momentum to not just appoint a CDS, but to continue with a top-down reform of national security structures.

Arjun Subramaniam is a retired Air Vice Marshal from the Indian Air Force and a visiting professor at Ashoka University

Navarros on the ascendant

What explains the trend of economists taking odd policy positions, defying scholarly evidence?

CHIRANTAN CHATTERJEE

The term 'Navarro recession' was recently coined in the U.S. media, and highlights the manner in which misguided trade and currency policies by the current U.S. administration, guided by economist Peter Navarro, may be creating distortions in the economy, leading to a slowdown. Apparently, U.S. President Donald Trump overruled all his economic advisers but Mr. Navarro in imposing new tariffs on China.

This begs the broader question of whether economies across the world are in turmoil because of the rise of the 'Navarros', with trained economists taking unconventional policy positions that undermine market expectations and scholarly evidence on free markets. In some cases, they seem to have received robust training in U.S. universities such as the University of Chicago. This argument applies to Brazil, Turkey, India and Hungary.

There are also cases where their candidacy has been mired in corruption. Some of them have also turned against their leader if the latter is not in alignment with their policy vision.

This is interesting since, perhaps for the first time in many decades, theology and divinity are jointly influencing economic policy decisions.

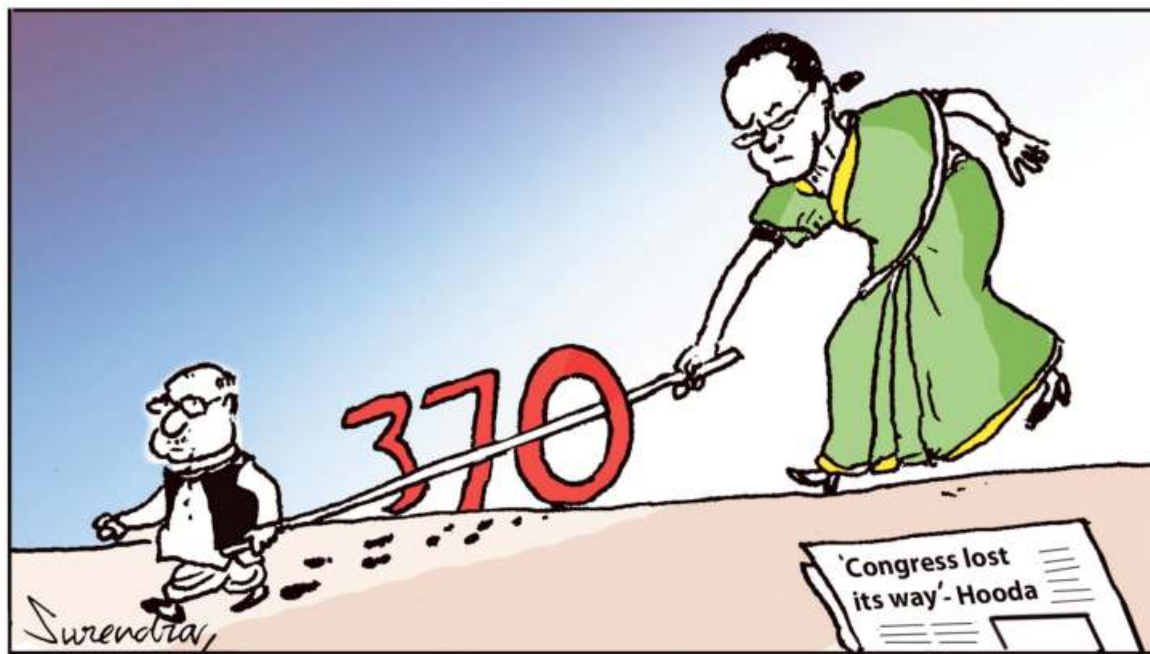
Maa Sharada and Article 370

In India, Chief Economic Advisor (CEA) K.V. Subramanian, also a Chicago-trained economist, invoked Indian goddess Maa Sharada, whom he also referred to as 'Kashmira Pura Vasini', while welcoming the government's decision to abrogate Article 370, the constitutional provision granting special status to Jammu and Kashmir. One would have expected the CEA to outline a policy pathway to incentivise entrepreneurship, economic growth and development in Kashmir, but nothing much has been said on that by his office yet. This is all the more remarkable when we consider the fact that he and Finance Minister Nirmala Sitharaman are struggling to revive a slowing economy. Meanwhile, in Hungary, Lajos Simicska, an oligarch and friend of Prime Minister Viktor Orbán, guided the Orbán economics of fear and his policy of setting up of large nationalised organisations. However, he has since fallen out of favour with the Hungarian Prime Minister.

Overall, these examples point to a larger trend as the discipline of economics tries to reinvent itself to adjust to globalisation and automation, factors that have created inequality and have been instrumental in the growth of social unrest and the rise of populists across the world.

Should these 'Navarros' be allowed to capture the pole positions in economic policymaking and guide the new economics of a populist world? What explains their rise and unconventional stances? Even more, how are their policy ideas impacting and deepening social and economic distortions? The answers are not clear yet, but their examination cannot be postponed any longer.

Chirantan Chatterjee is ICICI Bank Chair in Strategic Management at the Indian Institute of Management, Ahmedabad

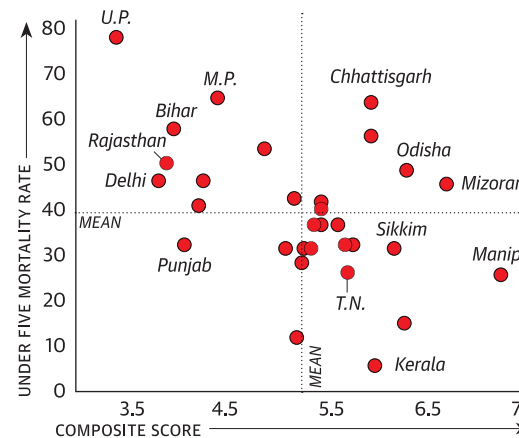


DATA POINT

Variably nourished

U.P., Rajasthan and Bihar fare the worst among States in breastfeeding. Infant mortality under the age of five is relatively higher in these States than others. In India, less than 50% of newly borns receive breast milk within the first hour of their birth, a low number compared to other developing countries. By Sumant Sen

U.P., the worst off The chart plots the composite score of three feeding indicators against State-wise under-five mortality rates. The composite score is based on % values of the following indicators: initiation of breastfeeding within an hour of birth, exclusive breastfeeding until six months, and complementary feeding until nine months. A high composite score indicates good infant feeding practices

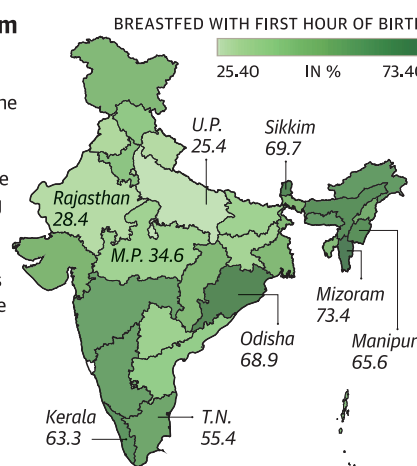


Most States with an above average score have a lower under-five child mortality rate while States with a poor composite score tend to have a higher under-five child mortality rate (per 1000 live births). Uttar Pradesh has a composite score of 3.32, the lowest, and under-five mortality rate of 78, the highest, in India. Mizoram has the highest composite score (7.27) and is one of the best performing States for under-five mortality rate (26)

Source: Breastfeeding and Infant and Young Child Feeding Practices Report Card (Health Ministry), NFHS-4, UNICEF REPORT 2018

Best in Mizoram

Over 73% of newly borns were breastfed within the first hour of birth in Mizoram, the highest percentage in India. According to the WHO, this "first milk" which the infant receives is rich in protective factors and nutrients. A State-wise look



Poorly positioned

Only 41.5% of infants in India received breast milk within the first hour of birth. India was ranked 56 out of 76 nations that were surveyed. Sri Lanka topped the charts with 90%

Rank	Country	Infants who received breast milk within first hour of birth (%)
1	Sri Lanka	90.3
2	Vanuatu	85.4
3	Burundi	85
4	Kazakhstan	83.3
5	Kyrgyzstan	82.5
56	India	41.5

The Hindu

FROM THE ARCHIVES

FIFTY YEARS AGO AUGUST 20, 1969

DMK ready for agitation

The ruling Dravida Munnetra Kazhagam will launch an agitation if the Centre refused to accept its plea for greater autonomy to the State Governments, declared Mr. M. Karunanidhi, Chief Minister, in the Tamil Nadu Assembly to-day [August 19]. The Chief Minister said the Government had appointed a committee headed by Mr. P. V. Rajamannar, former Chief Justice of Madras High Court, to recommend in what manner the powers may be reallocated between the Centre and States. The State Government would place the recommendations of the Committee before the Centre and try to "persuade" it to accept them. "If we fail in our persuasion, we will launch an agitation", Mr. Karunanidhi said. He said the D.M.K. had never hesitated to spearhead agitations to achieve its objects. The Chief Minister asked Mr. M. P. Sivagnanam, leader of the Tamil Arasu Kazhagam, to abandon his one-day token agitation proposed to be launched to-morrow, to demand greater autonomy for States.

A HUNDRED YEARS AGO AUGUST 20, 1919.

Soldier, Explorer and Naturalist.

(Book review)

No picture of late President Theodore Roosevelt is more familiar to the average man than that which represents him as a fighter and a man of action, not merely a militant advocate of aggressive Imperialism, but the champion of popular liberties and honest government against organised forces of privilege and corruption. It is naturally in this light that Hermann Hagedorn [the author] exhibits the object of his admiration. The stubborn courage and dogged persistence, the resolution to "carry through" in the face of all difficulties, the consciousness of the vital importance of realising in modern social and political life the good old common place virtues which all assume but few practise – these and other qualities which distinguished the late President stand out in vivid relief in the pages of this work. Alike as a young man resolving to live up to the ideals embodied in the deeds of his heroes; as a statesman putting into practice radical schemes of reform in the teeth of the unforfeiting hostility of the 'interest'; as a ranchman; as colonel of the "Rough Riders" charging wildly at the Spaniards; as a naturalist hunting big game and collecting specimens in the wilds of Africa; as explorer; and as man of letters... the wonderful personality of Roosevelt is brought home to us.

