

Opinion

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How long can govt sustain FCI's operations?

Ration-shop sales falling, stocks rising & per unit subsidy up dramatically; govt dues up to ₹2 lakh crore already

OVER THE LAST six years, the country's food subsidy bill has roughly doubled, yet the amount of heavily-subsidised food being sold through ration shops has fallen by around 10-15%. If this situation continues, it is not clear how much longer the government will be able to sustain the Food Corporation of India-led procurement-cum-ration-shop system where long-term debt levels have crossed ₹200,000 crore, in addition to around ₹80,000 crore of short-term debt that is rolled over in relatively shorter periods of time. Food subsidy payments rose from ₹2,000 crore in FY14, the year before Narendra Modi became prime minister for the first time, to ₹184,220 crore that has been budgeted for FY20; FCI's sales of foodgrains from all its schemes fell from 52.7 million tonnes in FY14 to 45.2 million tonnes in FY18, the latest year for which data is available. The reason for this, as a BofAML research note points out, is that while FCI's costs of procurement have been rising at a steady pace thanks to the hike in minimum support prices (MSPs) by the government, the prices at which the grain is sold at ration shops has remained unchanged since the National Food Security Act was introduced in 2013 by the UPA; the NFSA also meant the number of beneficiaries jumped from 35 crore to 80 crore. The gap between FCI's costs and its revenues rose from around ₹1,000 per quintal in FY14, to ₹2,200 in FY18 in the case of wheat and, in the case of rice, from ₹1,800 to ₹2,850 in the same period.

While FCI's offtake is slowing, indeed falling, even though FCI's procurement of grain has remained remarkably stable at around 50 million tonnes a year, this has meant a rapid and unsustainable level of stocks; in August 2019, the last month for which data is available, stocks were 71.1 million tonnes as against the recommended buffer of 41.1 million tonnes on July 1. Normally, FCI could think of exporting this stock, but given Indian MSPs are higher than international prices, this can only be done by selling the stocks at a discount, but that is against WTO rules. It gets worse since, given the 90-95% level of subsidies—as compared to the market price—the bulk of FCI's revenues actually depend on how regularly it gets its subsidy payments from the government. Data from BofAML shows that FCI earned just ₹38,357 crore in FY14 from sales while it was to receive ₹90,153 crore from the government to take care of the subsidy element; that is, the subsidy-to-sales ratio was 2.35. In FY19, the ration shop sales were budgeted to be around ₹24,485 crore versus the subsidy of ₹131,787 crore; the subsidy-to-sales ratio worsened dramatically to 5.38.

With the government badly strapped for cash, however, it has not been able to make payments to FCI and, as a result, while the government owed FCI around ₹45,000 crore in FY14, this shot up to around ₹200,000 crore in FY19. Naturally, FCI has had to borrow this amount; since no banks can possibly lend all this, even though bank borrowings have risen, FCI's borrowings from the National Small Savings Fund rose from ₹70,000 crore in FY17—this was its first borrowing—to ₹191,000 crore in FY19. Clearly, this is not a situation that can sustain since, while there is no way the government can possibly pay FCI ₹200,000 crore in one go, FCI can't keep borrowing either. Even if the government issues bonds to pay FCI, this will mean a ₹13,000 crore annual expenditure in just interest costs. Right now, FCI's costs are spiralling and while raising the issue price of foodgrains from ration shops will help—if the government does this—this will slow the pace of growth, but it will do nothing to reduce FCI's existing deficit. Sooner rather than later, a comprehensive solution will need to be found.

Fix multi-brand retail now

FDI-deals already happening in one form or another

GIVEN HOW THE NDA government is opposed to foreign direct investment (FDI) in multi-brand retail, it is surprising that global online retailer Amazon is picking up a stake in Future Coupons. Future Coupons is a promoter entity for Future Retail Limited (FRL), a pan-India multi-brand retailer. If Amazon converts the 49% stake it is buying in Future Coupons, it would own a 7.3% stake in FRL. As of now, Amazon does not have a controlling stake in FRL, so the Kishore-Bijyani promoted retailer cannot be deemed to be a group company of Amazon. Even otherwise, since the stake in Future Coupons would be housed in an investment arm of Amazon, the investment would be in the nature of an foreign portfolio investment (FPI) rather than FDI. The 5% stake that Amazon holds in Shoppers Stop—also a multi-brand retailing chain—is also housed in an investment entity.

What is interesting about the FRL transaction is that Amazon has been granted a call option to acquire all or part of the promoter's shareholding in FRL, and this is exercisable between the third and tenth years. In other words, Amazon is willing to pay a premium today—around 53%—to be able to acquire the controlling interest in FRL, if and when the law permits. As of now, players like Amazon are technically on the right side of the law in terms of these purchases; that they are able to structure these to their advantage—using FPI entities—is to their credit. But, the fact remains that the investment-arm of Amazon is an associate of Amazon's and, therefore, by association, Amazon is buying into a multi-brand retailer, albeit indirectly. Also, the law does not allow a vendor selling on a marketplace to procure more than 25% from the marketplace or a group company of the marketplace. In this instance, a vendor could, theoretically, procure more than 25% from FRL—since it is not a group company of Amazon—and supply goods on the Amazon marketplace. Also, it is possible that, by virtue of its stake in Future Coupons, Amazon could influence, in some manner, the merchandise that FRL sells to a third-party vendor, which then sells on the Amazon platform. In December 2018, the government had tightened the FDI conditions in the online space, stating that an e-commerce platform with foreign investment cannot exercise ownership or control over the inventory sold on its platform. But, such transactions, experts point out, do leave room for the marketplace to influence inventory. The government, it would appear, isn't unhappy with such deals since they bring in big investments—especially in back-end infrastructure—but doesn't want to formally allow FDI in multi-brand retail given the BJP's traditional opposition to this. But, given that local retailers will benefit from allowing FDI in, and there is little to show that multi-brand retail FDI will hit local *kiranas*, the government would do well to re-look its stance.

TraierROR

Trai should let go of policy flip-flop on satellite TV, allowing the market to decide

TRAI MAY HAVE had the best of intent when it forced satellite TV broadcasting to shift from being a pure bundling space to being an *a la carte* & bouquet space. Instead of TV subscription prices coming down, the consumer is experiencing lots of confusion and an increased price burden. For a basic network capacity fee of ₹130, the consumer was supposed to get 75 non-DD channels of her choice and 25 DD channels. But, picking from the mix of pay channels under February's New Tariff Order has meant a larger draw from the purse because broadcasters have priced individual channels at high levels. In combination with the myriad and complex offerings of bouquets, this has ensured the consumer chooses a package recommended to her than "exercising choice". The regulator, recently, floated another consultation paper, to discuss discounting on the bouquet offerings. Trai wants broadcasters to bundle channels of similar pricing, and take expensive and niche categories out. As most GEC channels are expensive, this would escalate costs. Moreover, even if the broadcasters were offering niche channels, this was being done at a discounted rate. Besides, why does Trai need to control pricing in a market that has many players? After all, in telecom, it was not Trai but competition that forced prices to come down, and operators to settle at limited plans. With OTT platforms gaining market, broadcasters and distribution platforms have no choice but to reduce prices. Trai's purpose would have been fulfilled anyhow.

US-CHINA TRADE WAR

THE US POLITICAL ESTABLISHMENT HAS SWUNG DRAMATICALLY, FROM VIEWING CHINA AS AN OPPORTUNITY TO REGARDING IT AS AN EXISTENTIAL THREAT

Tilting at windmills, flailing at China

STEPHEN S ROACH

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Views are personal



THIS WILL BE the 10th year that I have taught a course at Yale called "The Next China." The course focuses on modern China's daunting economic transitions. It frames the moving target that eludes US president Donald Trump's administration, which is taking dead aim at the Old China (a convenient target for a leader who wants to resurrect Old America). The incoherence of Trump's trade and economic policies, with all their potentially grave consequences for the global economy, is a destabilising by-product of this disconnect.

My course starts with the urgency of the challenges addressed by Deng Xiaoping in the late 1970s. But, its main focus is how the resulting Chinese growth miracle presents president Xi Jinping with four transitional imperatives: the shift from export- and investment-led growth to an economy driven increasingly by domestic private consumption; the shift from manufacturing to services; the shift from surplus saving to saving absorption in order to fund the social safety net desperately needed by China's rapidly ageing middle class; and the shift from imported to indigenous innovation, which ultimately will be decisive for China's goal of being a "moderately well-off society" by the middle of this century.

The confluence of these four transitional challenges would be daunting for any country. That is especially true for China, with its blended political economy—the so-called socialist market system, with an ever-changing balance of power between the Communist Party and a vibrant private sector. It is a very tricky balancing act, to be sure.

I date the pivotal point on the path from Old China to the Next China to early 2007, when then-premier Wen Jiabao correctly diagnosed the high-flying Chinese economy of the time as increasingly "unstable, unbalanced, uncoordinated, and unsustainable." The Four Uns, as they famously came to be

known, sparked a vigorous internal debate in China that led to major rethinking of the Chinese economic-growth model and a series of new strategic plans and reforms—the 12th and 13th Five-Year Plans (of 2011-15 and 2016-20, respectively) and the so-called Third Plenum Reforms (of late 2013).

Notwithstanding all the criticism of China in the West (to say nothing of the bipartisan political angst now boiling over in Washington, DC), progress on the road to the Next China actually has been quite extraordinary over the past dozen years. The middle-class Chinese consumer has come to life, and the services sector has emerged as an increasingly powerful growth engine. China's outside current-account surplus has all but vanished, a trend that is crucial to the saving absorption that its domestic economy requires. And the signs of indigenous innovation are everywhere, from e-commerce and fintech to artificial intelligence and breakthroughs in the life sciences.

True, like all sagas of economic development, China's progress since 2007 has been uneven at times, and new challenges have emerged along the way. Wen's Four Uns provide a useful way to frame the pitfalls that still lurk. *Instability* remains an ever-present threat, underscored by China's voracious appetite for debt, which has sparked an aggressive deleveraging campaign aimed at avoiding the dreaded Japan syndrome. *Imbalances* persist, underscored by private consumption's sub-40% share of Chinese GDP—a shortfall that can be addressed only by a more

robust social-safety net (especially pensions and healthcare). Persistent regional disparities, in conjunction with mounting income inequality, are visible manifestations of a lack of *coordination*. And, of course, despite recent progress in dealing with air pollution, environmental degradation remains central to China's challenging *sustainability* agenda.

But, the trade conflict with the United States is a new and important sustainability challenge for China. Despite years of denial, there can no longer be any doubt that the US is pursuing a containment strategy vis-à-vis China. From an ever-escalating tariff war and the weaponisation of trade policy by blacklisting leading Chinese technology companies, to Trump's "order" to the US companies to cease doing business with China and vice president Mike Pence's declaration of a new Cold War, the US political establishment has swung dramatically, from viewing China as an opportunity to regarding it as an existential threat. And public sentiment has followed suit. A recent survey by the Pew Research Center found that fully 60% of Americans had an unfavourable view towards China—up 13 percentage points from 2018 and the most negative assessment of China since the Pew survey's inception in 2005.

Forget about whether this about-face is justified. I am less concerned than

most about the so-called China threat, but I understand the fear and anxiety that grips the doubters. The real problem is less the merits of the allegations than the deep inconsistencies of Trump's policies to address them.

An anger-driven US president doesn't seem to grasp that bilateral trade implies the possibility of prompt retaliation when one side imposes tariffs on the other. Nor does his administration show any understanding of the linkages between ever-expanding budget deficits, subpar domestic saving, and multilateral trade imbalances. On the contrary, it has embraced a China-centric bilateral fix for a multilateral problem just when America's own lack of fiscal discipline

virtually assures a widening trade deficit with the world at large. And rather than view Huawei as a legitimate competitor in 5G telecommunications, Trump wants to put a chokehold on China's leading tech company. Never mind the resulting value-chain disruptions, which would do great damage to US suppliers, or that targeting Huawei does nothing to address America's own glaring

lack of 5G capability.

Reminiscent of Don Quixote, Trump is tilting at windmills. His administration is flailing at antiquated perceptions of the Old China that only compound the problems it claims to be addressing. Financial markets are starting to get a sense that something is awry. So, too, is the Federal Reserve. Meanwhile, the global economy is fraying at the edges. The US has never been an oasis in such treacherous periods. I doubt if this time is any different. Copyright: Project Syndicate, 2019. www.project-syndicate.org

An anger-driven US president doesn't seem to grasp that bilateral trade implies the possibility of prompt retaliation when one side imposes tariffs on the other

LETTERS TO THE EDITOR

RBI's bonanza

It is hard to believe that RBI deferred to the Centre to the extent of almost emptying its coffers. It is all too evident that the central bank has become less autonomous and more pliant. The government was eyeing the RBI cash for a long time and it did as a first resort what it should have done as a last resort—taking what was saved by RBI over the years for a 'rainy day'. 'Exhaust all sources of money' seems to be the principle followed by the Modi government. That the government has had to tap into RBI's reserves is an admission that all is not right with the economy. It would be a grossly exaggerated claim to say that RBI's surplus cash transfer will reverse the slowdown in economic growth and trigger robust economic growth. At best, it might ease some of the fiscal pressure. The payout will make it that much more difficult for us to ensure financial stability in the event of a global economic crisis and an intensification of trade wars. The government is sure to use a portion of the bonanza to meet the shortfalls in revenue collections and recapitalise banks, and it has to make a judicious use of the balance if it is to succeed in justifying the receipt of the windfall. We are okay with the cash transfer if it brings tangible benefits to the country's impoverished multitudes. — G David Milton, Maruthancode

Pakistan's diplomacy

It goes without saying that Pakistan's top brass is currently engaged in threatening India not only to appease and pacify its own people regarding the danger lurking in POK but also to somehow 'console' itself. However, the various wild threats made by Imran Khan may soon prove to be counterproductive as they all seem to be lost in transit. Moreover, a barking dog seldom bites. — Kumar Gupt, Panchkula

Write to us at feletters@expressindia.com

Jalan report: What next?

The RBI board has transferred ₹1,760bn, including ₹526bn of excess capital, to the fisc, up from 2018's ₹500bn. We expect Delhi to apportion RBI's transfer between recapitalising PSU banks and fiscal support as budgeted in July

INDRANIL SEN GUPTA & AASTHA GUDWANI

Sen Gupta is Chief India economist, and Gudwani is India economist, BofA Merrill Lynch. Views are personal

WE SEE THE just-released Jalan report as a game changer if it is partly used to recapitalise PSU banks to lower lending rates. It will be recalled that RBI had appointed a committee, under its distinguished ex-governor Bimal Jalan, to identify its excess economic capital. The RBI board has decided to transfer a surplus of ₹1,760.5bn, including ₹526.4bn of excess capital, to the fisc, up from ₹500bn last year. This is at the lower end of our ₹1.3bn expectation, with ₹500bn as profit transfer. This begs the question, what will be the new methodology to decide RBI's surplus? It will be set by limits on a contingent risk buffer (5.5-6.5% of balance sheet) and economic capital (of 20-24.5% of balance sheet) and expected shortfall (ES) estimation at 97.5-99.5% confidence intervals.

The Jalan committee has recommended a three-pronged definition of RBI's excess capital. 5.5-6.5% CRB:

It has proposed a contingent risk buffer (CRB) of 5.5-6.5% (including 1% for credit and operational risks) far higher than the 2% average for BRICS central banks (see graphic). The RBI board considered 5.5% sufficient for now.

ES at 97.5-99.5% CF: It will introduce an ES estimation at 97.5-99.5%, replacing VaR to determine risk provisioning for market risk. Informal economic capital band of 20-24.5% of RBI balance sheet: As RBI's economic capital, at 23.3%, is in this range, the RBI board has released the entire net income of ₹1,234bn to the fisc. The Jalan committee has eschewed defining excess RBI capital in terms of revaluation reserves. At 71 rupees to the dollar, the RBI balance sheet would have an appreciation cover of 25% even after releasing ₹2,000+bn (see graphic).

How will RBI's transfer be utilised? We think it will likely be used to recap-

italise PSU banks by ₹700bn, as announced by finance minister Nirmala Sitharaman on Friday, with the balance transferred to the fisc as already budgeted. This, in turn, should help reduce lending rates. Excessive fiscalisation would cut down RBI OMO.

PSU bank recap liquidity-neutral, fiscal deficit-neutral: We highlight that using excess RBI capital to recapitalise PSU banks should be liquidity- and fiscal deficit- neutral. The MoF will infuse capital into PSU banks with excess RBI capital. PSU banks, in turn, will park it in a government account with RBI. ₹1,000bn of excess RBI capital will allow 12% PSU bank (except SBI) loan growth till 2024. Our banking analysts assume that, 1. ₹200bn is used to write off NPLs; 2. RoE of 8% with a 20% payout (see graphic). We take minimum sustainable CET ratio at 8%.

Edited excerpts from BofAML's Jalan Report: What Next? (August 27, 2019)

RBI's contingency reserves are highest among BRICs		Revaluation reserves can release 800-2,200bn		Recapitalising PSU banks ensures credit availability till 2024/8		
	Ratio of contingency reserves to assets (%)		(₹)	Excess RBI capital identified by Jalan panel (₹ bn)		
Central bank	3.7	Currency & gold revaluation account	7,917	CET ratio	1,000	2,500
Brazil	1.1	Re 1 impact (approx.)	400	2019	9.1	9.1
Russia	1.7	Current cover (₹) (ie, ₹50.70/\$)	19.8	2020	10	12.5
India	6.8*	Current cover (%)	28.1	2021	9.5	11.8
China (own capital+ other liabilities)	1.9	Cover	7,050	2022	9.0	11.2
South Africa	1.5	25% (₹52.9/\$)	5,640	2023	8.5	10.7
		20% (₹56.4/\$)	5,640	2024	8.1	10.2
		Potential transfer	867	2025		9.6
		25%	2,277	2026		9.2
		20%	2,277	2027		8.7
				2028		8.3
				Assumptions (%)		
				RoE	8	8
				Pay out ratio	20	20
				CET 1 growth	6	6
				Loan/RWA growth	12	12
				Recap funds	1,000	2,500
				Provision (for 70% cover)	200	200
				Growth capital	800	2,300

Source: BofA Merrill Lynch Global Research estimates, RBI, Bloomberg



PORTRAIT: SHYAM KUMAR PRASAD

● **Food CaFe:**
TT SRINIVASARAGHAVAN

For well-run NBFCs, liquidity is no longer a problem

The managing director of Sundaram Finance Ltd shares with **Sushila Ravindranath** the reasons why the country is facing an economic downturn, the various problems facing the NBFC sector, the liquidity crunch, and offers some workable solutions

T T SRINIVASARAGHAVAN IS the managing director of the 70-year-old Chennai-headquartered Sundaram Finance Ltd, which is one of the country's largest and most respected non-banking finance companies (NBFC). It was started primarily to help truck operators purchase commercial vehicles. The company has since grown into one of the most trusted financial services

groups in India. It has a nationwide presence of nearly 640 branches, over 2 lakh depositors, and 3 lakh commercial vehicle and car finance customers. In addition, Sundaram Finance is into mutual funds, housing finance, general insurance, information technology, business process outsourcing and retail distribution of an array of financial services. Srinivasaraghavan has been involved with all the diversifications and has

played a key role in the company's growth. He has had more than 40 years of experience in the banking and financial services sector, and has been associated with leading trade-related organisations, including the International Finance and Leasing Association of the UK, of which he was the president. He has served on various committees constituted by the Reserve Bank of India (RBI) on NBFCs and related matters, and has been celebrated at various fora.

I have wanted to meet him to understand the economic downturn the country is facing; he has himself seen quite a few cyclical turns, and ups and downs in the economy. Sundaram Finance has dealt with them all. After many postponements due to his hectic travel schedule, we meet for lunch at Kapila Dasa, at the Express Avenue Mall in Chennai, which is next door to his office. The food is vegetarian.

This restaurant is a no-frills, spacious place, and in spite of the milling crowds outside, one can settle down for a peaceful conversation. We ask for the *rasam* of the day, and the restaurant's famous spicy corn toast as a starter.

I ask him about the various problems facing the NBFC sector, and the liquidity crunch. "There has been too much loose talk about NBFCs," he says with a touch of asperity. "One infrastructure company (ILFS) went bust, Dewan Housing Finance Corporation went under, and these two are not NBFCs. The Reliance Anil Dhirubhai Ambani Group is going through its set of problems. There are 9,983 registered NBFCs in the country, and just three have defaulted. Does this constitute a crisis? Since September 2018, how many more companies have defaulted or gone under? The media has gone overboard, creating a self-fulfilling prophecy."

As a consequence, he says, the flow of credit has been cut off by banks. "Collections are used for debt settlement and there is no growth capital available. This entire crisis erupted because of unin-

formed discourse creating its own momentum. This has wide ramifications for the economy. There are many small finance companies serving the last-mile delivery. Those lines have been cut off. Local NBFCs, which help people like small traders, form a separate ecosystem by themselves," he says.

Srinivasaraghavan adds that the mutual funds shut shop for NBFC lending. "They were, any way, lending only to the triple-A rated NBFCs. The small guys were funded by banks and that came down to a trickle. Banks, fortunately, are in a better place now."

We decide to order the main course before we talk about the auto industry. We ask for crispy *rawa dosas* and *uthappams* with toppings. There are several varieties of *chutneys* and *sambar* to go with these standard favourites.

I ask him what he thinks has led to the slowdown in the automotive sector. "There has been overcapacity in commercial vehicles. It has been exacerbated by having to shift to Bharat Stage 6 emission norms, and the changing of axle-load norms. There are a lot of unknowns surrounding BS6, including higher initial cost, availability of fuel across the country, and so on. These things have to find their own level," he replies.

However, what is more difficult to understand is the steep fall in passenger car sales. He says that banks are major players in funding of cars, "but they do not have a problem with liquidity. Yet people are not buying cars like they did earlier. They are not coming to the showrooms. Is there buyer fatigue? Is it because of Uberisation? Whatever the reason, sales are tanking. We are not very sure what will revive sales. Then there is the introduction of electric vehicles (EVs) to contend with."

On the weak demand in the housing business, he adds: "There is a demand for housing costing below Rs 1 crore, especially below city limits. High-cost projects in the heart of the city are not moving so well."

He shares with me another factor that has come into play, and that is the change of government in many states after the elections. "There have been too many disruptions. Infrastructure projects are being re-initiated in many of the states. It is time to get our act together."

But how do we do that? While there are no clear answers, he says that we can start by focusing on infrastructure.

We must focus on infrastructure. Single-window clearance will help a great deal. We need islands of excellence working like city-states. Local govts have to get its act together

"Single-window clearance will help a great deal. Why are our special economic zones not working? We need islands of excellence, working like city-states. Local administration must get its act together. Removing all irritants will be good for everybody," he says.

As we wait for filter coffee, I ask him how his company is coping with troubled times. "We are over the worst. For well-run, well-managed NBFCs, liquidity is no longer a problem. The problem is from the demand side. Over the years, we have developed a diversified portfolio. We will be going after pockets of opportunity still available in the market. We have gone through this kind of phase in 2013 as well. We have to tighten our belts, and wait for the cycle to turn."

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● **DAWN RAIDS BY CCI**

When the CCI comes knocking

L CHARANYA & PUNEETH GANAPATHY

Charanya is partner and Ganapathy is principal associate, LakshmiKumaran & Sridharan

Dawn raids are CCI's tool to curb anticompetitive practices

OVER THE LAST few months, officers from the investigative wing of the Competition Commission of India (CCI) have been undertaking dawn raids to pursue allegations of anticompetitive practices. The CCI recently conducted its fifth raid (third in the last nine months) on the Indian arm of the French company Mersen, possibly to investigate allegations of bid rigging relating to a railway contract. This sudden increase in dawn raids by the CCI is also the result of a recent Supreme Court judgment (*CCI vs JCB*), where it was held that the documents seized by the director general (DG) during a raid can be used as evidence during the inquiry.

In these raids, companies were often found to be unaware of not only the procedural necessities and requirements that the DG investigation is supposed to follow, but also the rights a company has when such an unforeseen event takes place. Here is a quick guide to prepare for a dawn raid.

When can a dawn raid take place?

- ▶ The CCI may direct the DG to investigate anticompetitive practices prohibited by the Competition Act, 2002. Such direction can be made by the CCI without seeking any comments or representation from those being investigated.
- ▶ An unexpected raid may be conducted by the DG when there is reasonable ground to believe that books/papers are likely to be destroyed, mutilated, altered, falsified or secreted.
- ▶ The provisions require authorisation from the chief metropolitan magistrate, New Delhi, before such a raid.

What are the most common issues investigated?

- ▶ Collusive bidding/pricing of goods and services, exclusivity arrangements, price determination agreements and refusal to supply have been the common practices targeted.
- ▶ Bundling or tying-in arrangements and use of dominance in one market to enter into another will remain perennial issues for growing businesses.
- ▶ Persons, companies, firms routinely engaged in bidding for tenders by government entities and public sector undertakings must tread with caution.

What are the powers of the DG?

- ▶ The DG has the power to require the production of records and documents from officials and employees of the company being investigated and may seize them as prescribed under provisions of the erstwhile Companies Act, 1956, as reformulated in the Companies Act, 2013.
- ▶ The DG is also empowered with the powers of a civil court and may record statements on oath and require the presence of any person. The DG can consequently receive evidence, issue commissions for examination of evidence and requisition public documents from any office.

What you need to do in the event of a raid?

- ▶ Cooperate and seek time to call an in-house or external counsel. Seek identity of the officials and the search warrant from a magistrate. Ensure and check (1) that the warrant is correctly addressed to your company, (2) whether the warrant specifies any premises or officers of the company, and (3) that the officers of the raid team visiting your company are properly named and authorised in the warrant.
 - ▶ Insist on presence of independent witness/external counsel when being questioned or when a statement is taken.
 - ▶ Do not share any communications, opinions, documents relating to legal advice taken from counsel, as these are protected by privilege. You are entitled to withhold the same from the DG/CCI after politely explaining legal privilege or asking your in-house or external counsel to do so.
 - ▶ Answer details on the location and storage of information correctly. Keep copies of all answers. Record details of persons, documents, hard drives, email, electronic devices, storage, etc, to which access was given to the officials.
 - ▶ Obtain a detailed record of any seizures made. Do not provide false information or obstruct the investigation.
 - ▶ Follow a prepared dawn raid checklist creating a central point of contact to calmly handle the investigation.
- It is advisable bespoke recommendations are obtained suitable to the needs of a company/business/group structure, after a detailed analysis of likely anticompetitive issues, size of staff and logistics, data repositories and management policies and cross-regulatory and cross-jurisdictional issues.

LAST MONTH, WHEN India sent the Chandrayaan 2 to the moon's South Pole, many space experts pointed towards the beginning of a new space race, or the space race 2.0. This brings back the question about what was the space race all about and how did it start in the first place? It was a distinct and unique phenomenon within the phenomenon of the Cold War.

What made it unique and distinct was the time during which it happened. Never before in the history were there two superpowers that were almost equally capable of destroying each other and set up their hegemony globally. Secondly, the global balance of power was seen for the first time. Although great powers always used to exist, but there were no superpowers. There are many takeaways and lessons that can be derived from the space race.

Firstly and most importantly, the space race started as a race to achieve 'absolute power' and not 'relative power', but as the race turned into rivalry, both the superpowers started striving for 'relative power'. As international relations theorist Kenneth Waltz puts in the anarchy of international politics, relative gain is more important than absolute gain. Secondly, the space race was also a race between two ideologies, two political systems and two civilisations (East versus West). Thirdly, the space race shows how ideologies take a back seat if profits, gains and supremacy are ensured by overlooking the ideals. This happened when the Americans used

Decoding the Cold War space race

Nobody won the space race; the world benefited

MARTAND JHA

The author is a senior research fellow at the School of International Studies, Jawaharlal Nehru University, Delhi



Wernher von Braun and his team of engineers to build their space programme, despite knowing about von Braun and his team's Nazi past.

The Cold War space race was a blessing in disguise in many ways, especially in the field of science and technology. The outer space travel required the invention of many new things. It included things like artificial limbs, water purifier, adjustable smoke detectors, satellite television, freeze dried food, space blankets, etc. The standard of engineering got better during the space race because in a competitive race both the superpowers attached a lot of value to their successes as well as failures.

Therefore, the scope of technical errors had to be minimal. This demanded a very high quality of trained individuals who could cater to the extremely precise requirements of rocketry, missile technology and spacecraft. A whole new discipline of engineering bloomed and blossomed during this period.

The space race was also about the clash of towering individuals. While von Braun was the architect of the American space programme, Sergei Korolev took the Soviet space programme to newer heights. But the important lesson learnt during the space race is that the potential of the outer space is huge, which could be utilised for



civilian purposes and for the benefit of the mankind at large. To put it simply, the 'constructive potential' of the outer space outweighed its 'destructive potential'.

Another new area that originated and evolved due to the demand of the times was international space laws, which had to be written. These were signed and ratified as treaties by many countries across the world, and were legally binding in nature. The role played by the media to set the agenda for public debate about the space race was crucial. Many times, the media was used as a tool for spreading false information as well as propaganda. The lesson learnt in this case was that either the

media is used by powerful governments or the media tries to portray their own agenda as the public agenda. Both of this happened during the space race. While the former was the case in the Soviet Union, the latter was seen in the US.

The space race spanned almost two decades. This was the time when drastic, dramatic and welcome changes were happening across the world in almost every area. Many of these happened in parallel with the space race, while a few impacted it directly. The space race was designed in an extremely realist domain. The struggle for hegemonic supremacy was apparent during this period. The outer space was

seen as a potent tool that could be used militarily to inflict pain to the adversaries.

Who won the space race?

This can be debated as both the superpowers saw phases in which they were doing better than the other. If one looks at the early period, it appears the race was heavily tilted towards the Soviet Union when it became the first country to launch an artificial satellite, i.e. the Sputnik 1, in 1957. Then, in 1961, the Soviet Union sent the first man (Yuri Gagarin) to space. The space race tilted towards the US when it placed the first man (Neil Armstrong) on the moon in 1969. In the 1970s, when NASA budgets increased, the US outspent the USSR and launched far more satellites than any other country, making the NASA the premier space research agency.

The space race that turned into a space rivalry ended in collaboration between the two superpowers during the Apollo-Soyuz Test Project in 1975. So, the question of winning or losing is not an objective one. The binary of victory and loss are measured in absolute terms. There are clear winners and losers in a competition. But here that was not the case. The intention of being a clear winner was certainly there, which led to the start of the space race, but because both the superpowers ended up gaining a lot from the point they started investing in their space programme, none of them won or lost. However, the US stamped its relative superiority over the USSR by the end of the space race.