Being a constitutional court

The current trend of hearing high profile cases end to end should be carried forward

OUT OF COURT

M J ANTONY

The last few weeks have given the Supreme Court of India the aura of a constitutional court. A five-judge bench headed by the Chief Justice is hearing the Ayodhya case in Court No 1 and a decision is expected soon. Next month, another bench is scheduled to start hearing challenges to the abrogation of Article 370 of the Constitution related to Jammu and Kashmir. If this trend of disposing of constitutionally high profile cases one after the other is kept up, many dog-eared files will disappear from the scores of almirahs that block the corridors of the court building.

The political climate might have something to do with this expeditious hearing of sensitive cases; some would point to the retirement of the Chief Justice in November. Whatever be the reason, short hearings of constitutional cases should be the norm for the future. The Ayodhya case has shown that it is possible to decide complex issues within a time frame. There are nearly 20,000 pages of documents in eight different languages, painstakingly translated into English. Still the case will conclude in two months. In contrast, the celebrated *Kesavananda Bharati* took seven months and the three *Judges Appointments* cases took four months each. The US Supreme Court allows only half an hour each to opposite sides. Then a red light blinks.

The present judges have the advantages of computers — AI in waiting — and assistance of interns to deliver judgments faster. There is a research wing, in theory. Therefore, constitutional cases should not rumble along like in the olden times.

When the court was shifted to the present building in 1958, there were only eight judges sitting together in one hall. They decided constitutional cases without undue delay. Now the sanctioned strength of judges has risen to 34 and 30 of them are sitting in 14 halls. This is an unprecedented opportunity to clear some of the old constitution bench matters.

The task is of course formidable. There are more than 250 Constitution matters that have been referred to benches of five judges. Some of them were ready for a final hearing since 1992. The questions involved are very complex, like the right to property after constitutional amendments going back to the days of the 1975 Emergency and definition of industry in the Industrial Disputes Act. Then there are 11 cases referred to benches of seven judges dealing with, among other things, legislative privileges versus freedom of the media. Benches consisting of nine judges have to decide 132 issues. Therefore it is imperative to have a Constitution bench functioning all the time. With the present strength of judges it is not impossible.

There are several jurists who argue that the Supreme Court should hear only substantial questions of law involving interpretation of the statute. In the last few weeks the judgments delivered were mostly in old cases dealing with partition, promotions, tenancy or common offences like false weights and measures or food adulteration in hotels. These could be disposed of by an appellate court without burdening the Supreme Court. That would require some constitutional amendments. However, it is not difficult in the present circumstances. After all, our Constitution has been changed about 125 times and is the most amended one in the democratic world.

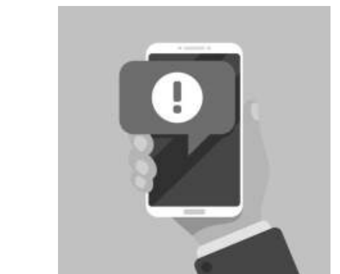
One of the advantages of setting up appellate courts, separate from the Supreme Court, is that such courts could be set up in other parts of the country. It is the persistent grievance of litigants from the south or north-east that carrying appeals to the Supreme Court is expensive and tedious. Many of them abandon their legitimate rights just because of geographical distances. Judges have consistently rebuffed the idea though several Law Commission reports had recommended it. Their argument is that the Supreme Court will lose its unitary character. But taking away the appellate jurisdiction in ordinary matters and keeping only constitutional questions to themselves would improve the performance of the court. It will also add to the dignity of the court. Instead of stalling these reforms, the judges themselves should initiate them. Meanwhile, they should set up a permanent Constitution bench in the Supreme Court; not when political pressure becomes unbearable.

CHINESE WHISPERS

Congress' money problems

Constrained by pecuniary problems the Congress party has had to reschedule an upcoming anti-government offensive. Congress President Sonia Gandhi (*pictured*) last week chaired a meeting of senior party leaders and officer-bearers posted at the party's national headquarters in New Delhi and also state leaders. She implored them to turn to "agitational" politics to reach out to the people. The meeting agreed that the party should hit the road and organise protests and demonstrations to highlight the economic slowdown. It announced the party's state units would organise conventions and conclaves on the economic slowdown in their respective states from September 20 to 30, and hold protests from October 15 to 25. However, the first phase of the programme has been postponed — the new dates to hold the conclaves on economic issues is September 28 to 30.

Present please



Absenteeism among teachers in government schools is the stuff of modern folklore. Uttar Pradesh is no exception. To curb the menace, especially in rural schools, the Adityanath government has introduced an app-based attendance system for teachers to ensure their "physical" presence at stipulated time slots. Not surprisingly, teachers are up in arms against the change, with some enterprising ones even claiming breach of privacy, thanks to the new app. The government is in no mood to relent and has drawn up a list of education department officials who have allegedly stoked the teachers' resistance to keep their own coffers ringing.

A long weekend of strike

Bank labour unions plan their strikes so well that they invariably coincide with a long weekend. The next bank strike has been called on September 26 and 27. The next day, September 28, is a fourth Saturday and a holiday. After Sunday, September 30 is half-yearly closing and October 2 is a national holiday on account of Gandhi Jayanti. Some experienced bank officials are mulling taking an off on October 1 so that they can treat this as a mini holiday.

FDI in coal: Mine over matter

Attracting foreign interest in commercial coal mining requires addressing several critical questions about pricing, logistics and regulation first

JYOTI MUKUL

The Union Cabinet's approval on August 28 for opening commercial coal mining to the 100 per cent foreign direct investment (FDI) gave the impression of major reform in a sector dominated by state-owned Coal India Ltd (CIL). Closer inspection suggests that the announcement was part of a continuum of creeping reform in the sector, which began with the auction of captive mines in 2014. That was the upshot of a Supreme Court decision to de-allocate these mines, the result of a controversy under the previous United Progressive Alliance.

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

Strictly speaking, there has been no bar on FDI before. The Cabinet announcement merely clarified matters. But this was needed since even after the new law Coal Mines (Special Provision) Act, 2015, mining rights continued to be given out for designated end-use purposes, such as power generation, steel production, only.

In January 2016, the government had come out with an enabling provision to allow commercial mining without any end-use restriction. Currently, only CIL and its subsidiaries mine coal commercially though there are also Mining Developer and Operators (MDOs) appointed by state and central government entities to mine coal on their behalf.

These MDOs, which include names like Adani Enterprises, BGR Mining & Infra Ltd, Sainik Mining & Allied Services Ltd, Sical Logistics and Ambey Mining, are likely to be the major bidders for commercial mining contracts. The entry of foreign companies would depend on the bidding conditions.

What are these conditions? The methodology was set out in a February 2018 announcement, in which the coal ministry stated that the opening up of commercial coal mining for the private sector is "the most ambitious coal sector reform since the nationalisation of this sector in 1973".

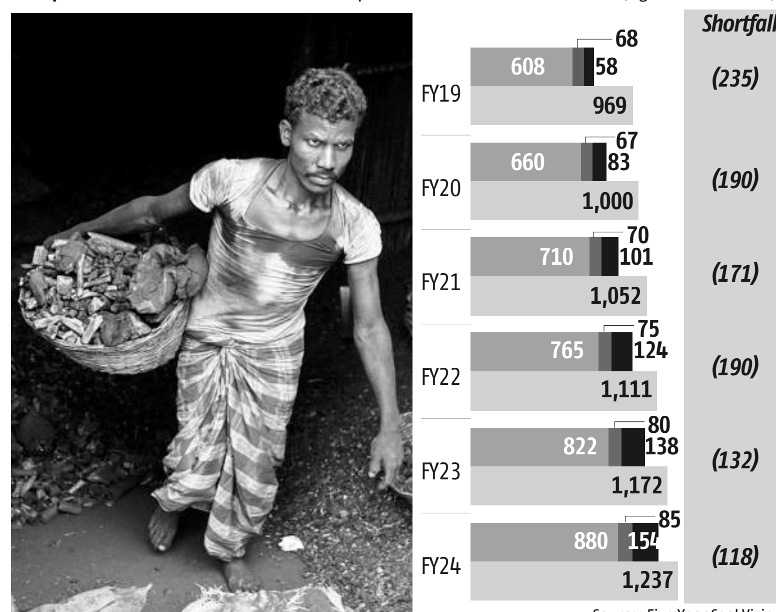
Under the Cabinet-approved methodology, the auction will be in an ascending forward auction under which the bid parameter will be the price offer for every tonne paid to the state government on volumes produced. Simply put, whichever bidder offers a higher share of revenue per tonne gets the block.

How far this plan will progress remains an open question. Since the January 2016 enabling provision, there has been little progress on commercial mining auctions. In fact, the ministry of coal's five-year vision plan for FY19-24 has not accounted for any production from commercial miners. It can be argued that since FY24 is less than five years away and the government is yet to hold an auction for commercial mining, it is realistic to estimate no or very small production from this category of blocks.

All the vision plan envisions is 14 per cent of total production or 154 million tonne from captive miners and others. Compare this to 880 mt production estimated to come from CIL plus 85 mt from Singareni Collieries, a joint venture between the Telangana state government and the Union government. In fact, a report from a high-level committee under Rajiv Kumar, vice-chairman, NITI Aayog, recently noted that captive mining leads to sub-optimal utilisation of mines since production and requirement of coal by the end-use plant could defer. It, therefore, suggested all contracts be shifted to commercial mining in one year's time.

SUPPLY GAP

Total production ■ Coal India ■ SCCL ■ Captive and Others ■ Demand (Figures in mn tonne)



This major policy shift, then, intends to introduce greater efficiency in coal mining by ending CIL's monopoly and attracting best-in-class technology. What, however, is missing is a vibrant coal evacuation infrastructure such as railway lines, modernised washeries and the private sector's capability to operate transparently.

The biggest gap in the policy is the absence of a mechanism to ensure that the price of coal is such that the biggest coal user — the power sector, which works on the lowest tariff benchmarking — is able to honour power purchase agreements. Whether commercially mined coal available of the shelf from operators offering the highest revenue share can generate power for cash-strapped distribution companies remains an unanswered question.

Assuming that some commercial coal blocks are given out to private companies by March 2020 and they are able to start production without issues of environment clearance and land acquisition in the next two years, will such mining be viable given that no new coal power plants are being planned and the manufacturing sector can barely sustain itself? Conversely, if demand outstrips supply, as at present where there an estimated 90 mt shortfall, it is also important that a parallel effort is made for regulations so that there is both a level playing field for all categories of coal producers and greater transparency in the pricing of domestic coal.

Besides, in the move towards commercial mining and a vibrant market for coal, there has been no discussion on environment and safety related challenges, both of which are seen as hurdles rather than prerequisites that need attention.

In 2012 when Coal India could not meet industry's demand, a presidential directive was issued to the company stating the company must meet 80 per cent of the requirements of power producers. Since then, the Union government has been mediating between the coal users and suppliers to get the equation right. Despite the new legal framework, the sector continues to rely on CIL matching demand expectations even as private miners go in for the safer MDO route, leaving the Union government to look at ways to bridge the gap between demand and supply. This state of affairs is ironic in a country with the fifth largest coal reserves in the world.

INSIGHT

Nips 'n' tucks to fix cyclical slowdown

JIGAR MISTRY

It's become common practice nowadays to tom-tom the latest high frequency economic indicators as proof of the structural slowdown in India's economy. According to naysayers, in a developing economy like India, there's no room for auto or consumer discretionary goods' sales to slump into negative territory. "India's economy has a structural problem and the government must stimulate the economy" or so the rhetoric goes.

The Federal Reserve Bank distinguishes between structural and cyclical changes based on whether monetary and fiscal policies can offset the decline in output and employment (FRBSF Economic Letter dated June 11, 2012). In India what we are currently facing is a crisis of confidence perpetuated by a variety of factors. In our view, the country's structural fabric is intact and a mix of measures -- partly from ongoing resolutions and partly guided by government action -- can help arrest the current cyclical slowdown.

Now let us consider a hypothetical economy where credit does not exist and the only way to grow income is when (a) a higher number of people work; and (b) when people work more efficiently. Let's call it the structural fabric of that nation. Extrapolating these in India's context we see that labour force participation is about 500 mn and over the next three decades, it is set to add over 200 mn to the working age population (UN World Population Prospects 2019 edition). Clearly, the number of people available to work is rising. Regarding point (b), the creation of hard (roads and electricity infrastructure) and soft (mobile telephony and data networks) assets should boost efficiency. To us, India appears to be on a sound structural footing.

Let us overlay credit on this hypothetical economy. People borrow more when economic activity is booming, eventually going overboard such that debt outpaces income. They essentially borrow from their future self and unless credit is put to productive use, future consumption must be pruned to repay the loans. This deleveraging cycle is accompanied by spending cuts, deflated asset prices and fall in incomes. This is where it gets interesting for India.

Over the past 13 years, India's end-use of credit has been extremely non-productive. Between 2006 and 2019, its total system credit jumped by about 9x to over ₹100 trillion. (Total system credit is banking system plus NBFC minus bank lending to NBFC). During the same period, non-performing loans (NPA) catapulted by Rs 11.5 trillion. In a steady-state, banks earn about 2.5 per cent return on assets (pre-tax and pre-provisioning) by deploying 12 per cent of loans as capital. The rise in NPA has wiped off 70 per cent of all banking sector's earnings for these years or nearly the entire banking system's capital. This clearly is unproductive use of credit.

The problem has been accentuated by the phenomenal rise and subsequent collapse of non-banking finance companies (NBFC). Between 2014 and 2019, NBFC accounted for 33 per cent of credit growth (13 per cent of system credit in 2014). In 2019, they accounted for 40 per cent of new retail loans and had 56 per cent share of retail loans to new-to-credit customers (FIBAC 2019 annual benchmarking and insights report). The IL&FS default resulted in a freeze in credit markets and NBFC were forced to scale back, triggering an unprecedented liquidity crunch. Systemwide credit has been in surplus for over four months now, but banks have been wary of lending it and NBFC are unable to do so. This has depressed asset prices and created negative wealth effect, which is further impacting consumption.

The bigger question is, what will pull India out of the current logjam?

We believe, the ongoing resolutions at NCLT and outside it should bring back confidence; banks could start lending to a broader borrower base. Ideally, the government should have accelerated capital spending, but limited fiscal room (taxes may not rise the budgeted 18 per cent risking 3.3 per cent gross fiscal deficit), even after accounting for higher dividend from the RBI, prevents it from doing so.

The good part is that borrowing rates for top corporates have fallen by over 100bps over the past three months despite limited transmission of rate cuts by banks. Also, the government's recent demand-boosting move for autos, promise of measures in housing sector and a general 'we-care' attitude will definitely help.

Besides these demand-boosting measures, a lot of feel-good announcements could also help. For example: (i) commitment to fill all vacant government jobs, over say the next one year; (ii) withdrawing litigation outstanding for more than a decade where the government has lost at the tribunal level; and (iii) quickly releasing arrears outstanding at all levels of government/quasi-government institutions.

A crisis of confidence does not always need more money thrown at it; an assurance that 'we are here to help' will go a long way.

The author is a co-founder of Buoyant Capital; tweets @BuoyantCap

LETTERS

Over-ambitious target

This refers to "LIC equity portfolio takes ₹57,000 Cr hit' (September 17) by Jash Kripalani. Prior to the recommendations of the Sukhamoy Chakravarty Committee report in the 1980s, the government of India was in the habit of frequently inserting its hand into the Reserve Bank of India's 'cookie jar', resulting in automatic monetisation of fiscal deficit leading to double digit inflation for decades.

The governments in the 21st century in India discovered a new way to finance their fiscal deficits, that is, using the Life Insurance Corporation of India (LIC) to invest, switch, buy, rescue and act as white knight with respect to the government's ambitious disinvestment targets and saving IDBI Bank from going kaput. The funds available to the LIC are not 'sovereign funds' but hard earned savings of the people of India. Even sovereign funds like Temasek of Singapore do not conduct their financial dealings as unprofessionally and as irresponsibly as has been done by the LIC in the last couple of years.

One single misstep in the Budget forced foreign portfolio investors to take billions of dollars out of India resulting in massive erosion of shareholder wealth. The government has also lost its share of wealth in public sector undertakings. In this scenario, will it be possible for the government to meet its over-ambitious disinvestment targets?

Ganga Nayan Rath Hyderabad

Cause for anxiety

This refers to "Oil price surges; Govt plays down concerns" (September 17). An anticipated fall in oil supply from Saudi Arabia in the wake of the drone attack on Saudi Aramco is a cause for concern to India, which is already experiencing economic slowdown. It is also not trading with Iran. However, despite the assurance provided by the government of adequate availability of oil and of adequate inventory of oil by Saudi Arabia, pricing is of equal concern as an excess of demand over supply will increase the prices.

Intra-day price fluctuations for Brent crude oil is also a cause for anxiety. Time is crucial for the market and economic confidence to be restored. The need, therefore, is to tread with caution to offset the crisis. This may have a domino effect. If the cost of imports increase, the cost of production will go up leading to lower productivity, a fall in revenue inflow both from domestic and export markets, inflation, and finally retrenchment of labour and increase in unemployment. This impact might be felt across the economy starting with agriculture, small, medium and village industry, and retail trade adversely impacting the gross domestic product.

C Gopinath Nair Kochi

Bogus lobbies

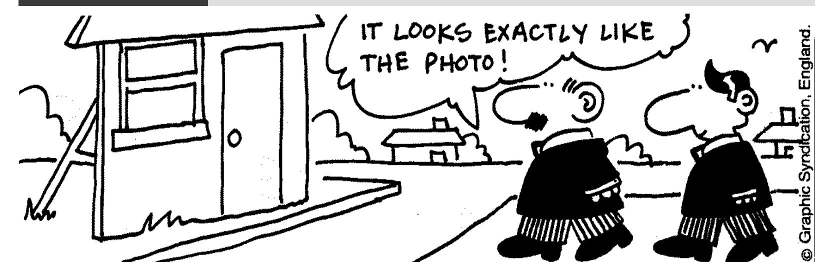
This refers to "Top biscuit makers seek GST cut for below Rs 100/kg segment" (September 16). It is being argued that sales of cheaper biscuit packets have fall-

en due to higher goods and services tax (GST) being levied on them. The industry wants 5 per cent and not 18 per cent. I am writing to say that such demand should not be agreed to. The problem with the industry of all goods is that they keep on asking for exemptions and at the same time, they ask for a "seamless system" of tariff mechanism and GST system. This is a self-contradictory demand. The difference is 13 per cent, which is nominal and can be easily absorbed in the total cost of all biscuits of higher and lower price. The same lame logic the industry uses for footwear of cheaper and costlier variety and for cigarettes. Once the government imposes the same duty on cigarettes on the basis of size, these industries will have to adjust themselves to this same rate. So the government should straightaway refuse the demand for exemption for cheap biscuits. GST must not be ruined by such bogus lobbies.

Sukumar Mukhopadhyay via email

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 • E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE



Business Standard
Volume XXIV Number 25
MUMBAI | WEDNESDAY, 18 SEPTEMBER 2019

Don't cut GST

The Council should instead focus on compliance

The Goods and Services Tax (GST) Council will meet later this week and is expected to deliberate on the possibility of cutting rates. While the Monetary Policy Committee of the Reserve Bank of India (RBI) will take a call on the policy interest rate next month, at the moment, industry is looking at the GST Council for relief. But with a slowdown sharper than expected, a decision to cut GST rates will not be easy. Theoretically, it can be argued that a reduction in rates will help revive demand, which itself will partly compensate for the revenue loss. There are vocal demands from sections of industry, particularly the auto sector, for reducing the rates. The sector has seen a severe decline in sales in recent months. However, the council would be well advised to not cut rates at this stage for a variety of reasons.

For one, any sector-specific rate reduction will further distort the system and lead to more such demands from other segments. Aside from the auto sector, businesses in the area of biscuits and cement are also looking for relief. If the council starts giving sector-specific relief, the list will only grow. Second, it is extremely important at this stage to protect tax revenues. As reported by this newspaper, till August, the gap between cess collection and the compensation disbursed to the states reached around ₹24,000 crore. Lower than expected collection of the GST will disproportionately affect the Union government because it has to compensate the states for the shortfall. The Union government, in any case, is likely to fall short of its revenue target by a significant margin and needs a revenue growth rate of 18 per cent for the year to meet the Budget target. However, the trend so far suggests that it could fall short by over ₹2 trillion.

While the excess capital transfer from the RBI worth about ₹58,000 crore will help, it will not be enough to bridge the gap. So the government will either have to reduce expenditure or increase borrowings. Both will negatively affect the economy. Since the government cannot cut most of its revenue expenditure, such as interest payments and salaries, it will have to cut capital expenditure. Higher borrowing, on the other hand, will increase the government's claim on savings in the economy and affect private sector activity. Further, it has been reported that the government is trying to cut off-Budget borrowing and expenditure. This should be welcomed. It will increase transparency and make the Budget numbers more credible. But if the revenues fall short, the government may not be able to make much headway in this direction.

Therefore, instead of listening to sectoral demands for reducing rates, a sensible strategy in the long run would be to combine the moves to reduce the number of goods and services taxed at 28 per cent and move some to the 18 per cent rate with those to increase the rates for a host of other items placed at lower slabs. This would help the council to gradually reduce the number of tax slabs to two or three categories. This will not only help push the GST reforms agenda but also reduce the collection shortfall. The council would also do well to look at the ease of filing and increasing compliance. Cases of large-scale fraud and fake invoices have been reported. The council's priority should be to address these issues urgently.

Democratise New Delhi

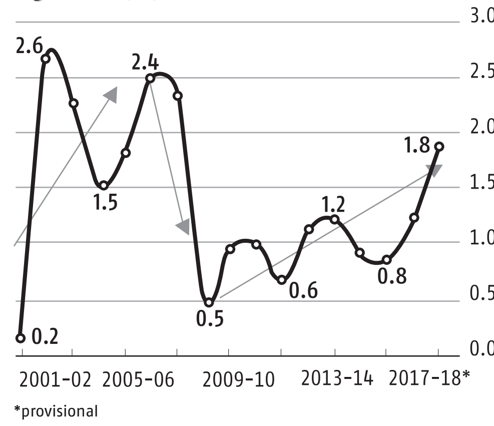
Redevelopment plans for Lutyens' Delhi should go far enough

The government is seriously considering a far-reaching overhaul of New Delhi's "Central Vista", the ceremonial and official area leading from India Gate to the Rashtrapati Bhavan on Raisina Hill. This area includes not just the old princes' buildings around the India Gate hexagon, but also the heritage buildings of the Central Secretariat, Sir Herbert Baker's Parliament House, and the post-Independence "general purpose office accommodations" such as Udyog Bhavan and Shastri Bhavan. The area also includes barracks converted into permanent office buildings, some dating from the Second World War. The government's aim, according to reports quoting a proposal from the Central Public Works Department, is to upgrade public facilities, amenities, parking, and green space to make the area a world-class tourist destination by November 2020, and to create "new iconic structures" that would be "a legacy for 150 to 200 years" and represent "the values and aspirations for a New India ... rooted in the Indian culture and social milieu".

The Indian government has not had a great record with building new and aesthetically pleasing offices, so there is naturally some concern at this proposal. Will any new developments indeed be harmonious additions to the skyline of Raisina Hill? While the historical environs of South and North Block as well as Parliament should surely be preserved, given that they are treasures not just of India but the world, the Secretariat buildings can be turned into a museum of modern Indian history. Parliament might need a new wing, as an extension of the old one, which could be used only for occasions of ceremonial importance such as opening debates and Budget speeches. And certainly, there can be no objection to repurposing the socialist-era structures such as Shastri Bhavan.

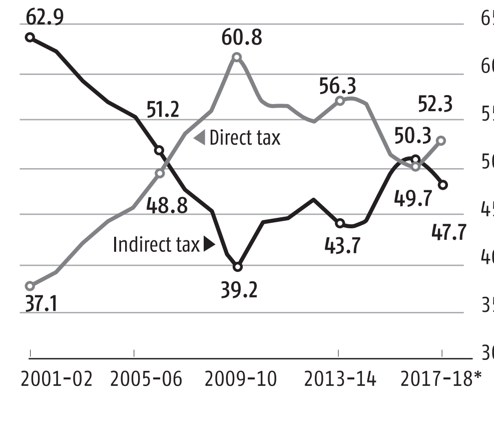
The best practices for accountability and urban rejuvenation suggest that government offices be spread across a large area to make them easier to access and to provide ancillary benefits to the largest possible number of people. But the question is whether any such redesign plans indeed go far enough. They do not challenge the fundamental assumptions underlying Sir Edwin Lutyens' city of government. Those assumptions — that the rulers are separated from the ruled, and live in imperial pomp and suburban comfort in the middle of the city — are more suited to a colonial power than to the capital of a liberal republic with a rich democratic past and present. It is not just the Central Vista that needs a redesign but the Lutyens Bungalow Zone itself, which perpetuates the separateness of the people and their government, and insulates politicians and bureaucrats from the real world. A new Gujarat Bhavan over multiple storeys has shown that the taboo about piercing New Delhi's tree line can be broken. At the very least, more buildings can be built on existing plots by subdividing them. Some of the new buildings like the Ambedkar Bhawan or the Comptroller and Auditor General headquarters on Deen Dayal Upadhyaya Marg do not inspire much confidence about the architectural intentions of the government. Besides being examples of inefficient usage of space, they raise a fundamental question: Are they symbols of a super-powerful Central government or of an open democratic society? An answer to this question should be the next step towards democratising New Delhi.

BUOYANCY OF TAX REVENUE



*provisional

DIRECT AND INDIRECT TAX AS PER CENT OF TAX REVENUE



Analysing new revenue information

Increased buoyancy is welcome, though it needs examination of causes

There is new revenue data available that is revealing in terms of revenue trends and, therefore, worth analysing (*Time Series Data 2000-01 to 2017-18*, Income Tax Department).To begin, on the statistics itself, the 2017-18 numbers are provisional and estimates for 2016-17 are the first revised estimates with base year 2011-12. From 2014-15, the GDP base year used is 2011-12. The GDP series for 2004-05 to 2013-14 used 2004-05 as base year. These are clubbed together. Though the impact on buoyancy calculations may not be high, consistency is warranted (*see my column dated June 5, 2016*).

Buoyancy is the percentage response in tax revenue to a 1 per cent increase in GDP. Clearly the 2017-18 data reveals a pretty high buoyancy of 1.8 (*see Figure 1*), on a steadily increasing path from 2015-16. The earlier period during which such steadily rising buoyancy manifested itself was between 2004-05 and 2006-07, when buoyancy shot up from 1.5 to 2.4. That was a period of exceptional private business sector growth so that its tax revenue contribution was also on a sharply rising trend.

Statistics of prevailing times do not reveal the same kind of growth in the private business sector which faces challenges in growth in its various subsectors. The question, therefore, arises where from a high tax revenue buoyancy of 1.8 emerges. The answer should ideally reflect an increasing number of income taxpayers, which would be an achievement. It could arise as outcomes of efforts made by the tax administration in bringing tax evaders and fence-sitters into the tax net. On the other hand, additional revenue may be obtained by pursuing a revenue goal. This puts pressure on bad and good taxpayers alike but it could also reflect pressure on officers to collect tax irrespective of the state of the economy.

PARTHASARATHI SHOME

The challenge of policymakers is to expand the taxpayer base while eschewing unjustified revenue pressure on taxpayers and on tax officers alike. The revenue goal has been replaced by advanced tax administrations with revenue monitoring systems that are linked to the ongoing business cycle. To bring Indian industry back on track, such an approach is now needed. Between the two — reducing tax rates through more tax incentives for flagging sectors and reducing tax pressure — the latter would be more effective in raising the economy back to its fundamental growth path. Admittedly, this is not easy to achieve but this strategy has had success in economies in which it has been implemented. Policymakers need to look into the mores and practices of tax administration at the field level. If so, buoyancy could rise even beyond 1.8 on a secular basis. Otherwise it will be temporary and reflect the ephemeral impact of tax pressure by the administration.

Figure 2 demonstrates a "double" scissors pattern with direct tax steadily gaining and then overtaking indirect tax in share of total revenue from 2007-08 but, after achieving the highest difference in 2009-10, the gap narrowed until 2015-16. And, in 2016-17, the share of indirect tax once again exceeded that of direct tax, with indirect tax accounting for 50.3 per cent of tax revenue. But in 2017-18, direct tax again overtook indirect tax, representing 52.3 per cent of tax revenue. The interim period of indirect tax being higher than direct tax reflected a return to customs duties and domestic excise. In the prevailing global taxation scenario, where the US is imposing barriers on trading partners that it deems to levy high customs duties, India needs to examine its customs and excise duty regimes.

A question arises as to why, in 2017-18, direct tax overtook indirect tax in its contribution to overall tax revenue: Is it exclusively expansion in taxpayer base—indeed there has been steady growth in the number of taxpayers — or is it also an increase in tax pressure? Or is it as well a reflection of revenue dampening from GST due to high input tax credit in the economy as a whole, and due to larger refunds in particular in the export sector? In turn, they would cause GST to be unable to yield its expected or projected revenue.

Is it also due to the many changes in GST rates in the post-introduction period that continues presently? Indeed rate reductions may be needed from a structural perspective in sectors where the rates have caused build-up of excess input tax credit—creditable inputs have higher tax rates than outputs. But a policy challenge remains not to change other rates in cases where build-up of input tax credit is not an issue, rather, rate reductions reflect political expediency in India's fiscal federal state in which Centre-state give and take may reign supreme.

In any event, after post-tax rate reductions, the burden on suppliers to prove that they have not "unduly enriched" themselves (by not passing on the accompanying benefit to consumers) before refunds are given, has to be minimised. Absence of undue enrichment is difficult to prove, leads to complaints if not litigation, corroding GST's advantages. Further, if export refunds increase, as long as they are legitimate, they should be granted quickly rather than protecting the need for revenue as a binding constraint. Government's effective guidance to the field, indicating refunds should be quick as evidenced in the Central Board of Indirect Taxes and Customs Chair's weekly reports, is reassuring. Field level reform has to be monitored in both direct and indirect taxes, intensifying improvements that are occurring.

Let's manage risks, not disasters

A year ago, flash floods created havoc in Kerala. As the nation responded to the disaster, an ugly truth emerged — that of fast changing patterns of rainfall in South Asia. As floods across the country rule the headlines again this year, a look at the last decade shows that rainfall variability has caused floods and water shortages across the country, including in the most unlikely of locations. There have been devastating floods in the deserts of Rajasthan and Ladakh, while rain-rich areas such as the North-East have faced water stress and lake-cities such as Chennai have run completely dry. A report by the United Nation's Intergovernmental Panel on Climate Change predicts such changes are irreversible, and will continue to result in extreme weather conditions.

As a nation we pay attention to these phenomena only once they turn into disasters, taking lives and destroying property on a large scale. Nature is, however, making a case for drawing our attention to risks, which need to be addressed in advance, well before disasters strike. This calls for improved risk assessments, preventing investments in known hazard-prone zones, and building capacity to be able to take pre-emptive action.

MANU GUPTA & ANSHU SHARMA

Understanding nature's wrath

Today, across the country, there are flood-and-drought-affected pockets next to one another. This is the new normal, and it will do us good to acknowledge and adjust to it quickly.

The impact of this new normal will also be worse than what we have ever seen, because besides the natural climate, our economic and social climate has also changed drastically over the last few decades. We have moved from living with nature, the way the homes of our grandparents reflected, to a far more affluent and arrogant lifestyle where we love to dare nature by constructing on the most hazard-prone lands, including hillslopes, riverbeds, lakebeds and seafronts. Whatever buffers we had in the form of natural vegetation that held slopes together and kept inundation in check, have also been lost to the new development pattern. While we revel in our successes on such development, nature does finally strike to reclaim these lands.

Furthermore, we continue to use 19th century models to respond to 21st century disasters. These methods follow an archaic system, where disasters are expected to follow a "season" and hit only in known geographies. Water released in dams, for example, is based on a manual system of measurement and prediction. Planning of our cities may be getting smarter from a technological point of view, but the fundamentals remain rooted in a narrow view of the economy, instead of expanding into an ecosystem-based perspective. All of these directly or indirectly contribute to the kind of disaster we are witnessing, which we then respond to with increasing bewilderment and enhanced focus on rescue and relief actions and investments.

All in all, we are still managing disasters, not risks. Given the conditions we now see all around us, both our preparedness and response need a serious revisit.

A future-proof response

The floods we have been witnessing have triggered an outpouring of support from all quarters, which is heart-warming . The onus is now on disaster managers to channel this into long-term investments for safety from future risks. Such investments may include greater engagement of local communities, improved hyper-local risk assessment, training on emergency response, crowd-sourcing disaster-information and rebuilding devastated areas with local material and with respect for the environment.

Those living in vulnerable areas need the ability to assess their local risks better, and get access to accurate and easy to understand early warning. Notable disaster risk reduction efforts today are helping village communities in Bihar monitor their rivers and translate warning data into local actionable information; enabling tribal families in North Kerala figure out nature-based solutions to secure themselves against landslides; teaching school children in Uttarakhand how to assess and address risks within their school environments; and helping children in Sikkim operate a weather station and climate-lab within their school.

Long-term resilience in response to the new risks identified was missing from fundamental approach to disaster recovery. The job of the humanitarian world should be to provide resources and begin reconstruction in affected areas from day one, that is, to help faster recovery for affected families and build better and safer communities.

What our ancestors did right

One of the ways ahead is to understand how our previous generations had learnt to live with nature and risks. How land was selected for construction, water was harvested, courtyards kept houses well lit and ventilated, and at comfortable temperatures through the summers and winters. How nurturing native vegetation and wildlife around the houses and habitats kept things in balance. Recent experiences in Assam, Rajasthan, Ladakh and elsewhere have shown that reconstruction using local materials, traditional techniques and measured technological upgrades can lead to houses and settlements that are more environment-friendly and safe from future threats.

There are signs all around that we urgently need to shift our focus from rescue and relief to long term risk-management. Nature is sending us louder reminders each year. It is time to listen to nature and while doing so remind ourselves that our past holds the key to a safer future.

The writers are co-founders of SEEDS, a humanitarian organisation with a focus on building disaster-resilient and sustainable communities across Asia

The insurrection next door

BOOK REVIEW

SHYAM SARAN

Tilak Devasher has already established his reputation as one of India's more knowledgeable and perceptive observers of Pakistan, thanks to his two earlier widely-acclaimed books, *Pakistan: Courting the Abyss* and *Pakistan: At the Helm*. His latest book, *Pakistan: The Balochistan Conundrum*, is about Pakistan's largest but one of the least-known provinces, Balochistan. Few in India are aware of its chequered history, its complex ethnic mosaic and the paradox of its pervasive poverty co-existing with its abundant resources. Balochistan is also a festering wound on Pakistan's body politic, stoked by a deep and persistent alienation of its tribal communities which has also nurtured a long-standing armed insurgency, which repeated and brutal military reprisals have been unable to snuff out.

Mr Devasher has done extensive research for his book. This is reflected in the several pages of notes and references. He has used both Pakistani and international sources and this lends credibility to his assessments. Despite declaring that our neighbourhood enjoys the highest priority in our foreign policy, we have not really devoted much attention to our understanding of the underlying economic, social and cultural factors that drive the political dynamics of countries with which we share our common sub-continental space. The Indian Council of World Affairs should be complimented for sponsoring studies such as this, which enable a deeper and more rounded discourse on our neighbours.

The author has structured the book into six thematic sections each with three chapters. The first two sections, entitled "An Ancient Civilization" and "Times Gone By", respectively, focus on the geography of Balochistan, the ethnic make-up of its people, their religious and cultural particularities and their ancient and more recent history. The province is populated by Baloch tribes but also by the Brahvi ethnic group that, curiously, is of Dravidian origin. In the north there is a substantial Pushtun population. The subsequent sections on "The Roots of Alienation" and "Relentless Persecution" contain a detailed analysis of the wellsprings of the endemic violence that has ravaged the province in an action-reaction process with which we in India are familiar. The seeds of disaffection were sown in the cynical and violent incorporation of a hitherto independent state into Pakistan in 1948. Thereafter, the Pakistani state treated the province mainly as a source of rich resources such as natural gas and coal, to be exploited for the benefit of the Punjabi majority with almost complete neglect of the local population.

The final section, "Enduring Insurrection," explores the likelihood that the threat of secession may materialise. The author's conclusion is that given the tribal divisions that persist, the sparse and widely distributed population and the overwhelming firepower that the Pakistani Army is able to deploy, Balochistan is unlikely to emerge, like Bangladesh, as an independent entity. Iran next door also has a significant Baloch population, while neighbouring Afghanistan shares a substantial Pushtun population with Balochistan. Neither would like to support secessionist tendencies, which may impact their own ethnic communities.

The most interesting parts of Mr Devasher's book relate to the fascinating history of Balochistan. It was during the 19th century that the British as the imperial power, drew boundaries that split the Baloch and Pushtun tribes, with portions incorporated into Iran and Afghanistan, and another ruled directly by the British. A rump Khanate of Kalat survived as an independent state right up to its forcible annexation in 1948. Kalat was never included among the Indian princely states. It was recognised as an independent country in the same category as the kingdoms of Nepal and Bhutan. Jinnah appeared to recognise this status in 1947 but there is ample evidence to show that it was the British who urged him to annex it by force for their own perceived security interests. This has a parallel in British officers raising the Pakistani flag in Gilgit, claiming for their adopted country the strategically important part of Jammu & Kashmir, destined to play an important role in the Cold War that followed. Was Kalat interested in association with India? A representative of Kalat was a participant in the Constituent Assembly, which had begun meeting from December 1946, though this does not figure in the book.

Mr Devasher has an informative chapter on the port of Gwadar on the Baloch coast currently being managed by the Chinese and another on the China-Pakistan Economic Corridor (CPEC), which traverses Balochistan, north to south. His cogent analysis indicates that the economic and commercial promise of these projects is exaggerated. They do make sense from the security perspective. If CPEC is described by Pakistan as a game-changer it is mainly in terms of the security potential not because it is likely to transform the country's economic prospects. While the book is comprehensive in its coverage there is some avoidable duplication across chapters. I would have liked to see some discussion of India's posture towards Balochistan.

The reviewer is a former foreign secretary and is currently Senior Fellow CPR

THE BALOCHISTAN CONUNDRUM
Tilak Devasher
Harper Collins, ₹899, 357 pages