

# The bear will soon visit your garden

Independent directors must look for patterns in reports of disputes and business surprises



## THE WISE LEADER

R GOPALAKRISHNAN

Readers of my last three articles in this column (September 13, August 29 and July 5) have asked for an example to illustrate my point that independent directors (IDs) can and should act on signals rather than wait for a crisis to crack open. I had suggested a 5C sequence — consideration of the signals, mutual consultation, counselling, coaching, and confronting.

Public reports of disputes and business surprises distract company managements. They also dilute the confidence of investors, lenders and the ecosystem. Recall what happened with Infosys during the unfortunate sparring of 2016-17, with Ranbaxy when Dinesh Thakur spoke up about fudged Food and Drug Administration data and with MP Birla companies when Harsh Vardhan Lodha sprang his surprise. What can and should an ID do? The developments may appear to be within the law, but what if the consequences stretch the rubber band of minority shareholder interests? The IDs must look for patterns because there always is a pattern to such events. Here is an example, not entirely hypothetical.

Imagine a listed company where there are two promoter-shareholders, A and B. The retail shareholders can be aggregated together as C; assume that A, B and C have about a third each. The law requires all directors to act in the company's overall interest, but within this obligation, direc-

tors A and B will tend to act in favour of A and B respectively. The C directors are required to act with the interest of the minority shareholder in mind. This is the basis on which they must judge signals.

C directors notice growing and disturbing signals as A and B develop a difference of opinion, strong enough for them to go into litigation. The litigation does not directly involve the company board. What is the duty of the independent directors to protect minority shareholders' interests? It could well appear that the dispute is outside the company and the IDs have little or no role. That is not true. For sure, IDs should avoid taking sides in the dispute, as they would with a neighbour couple who have unresolvable quarrels. Using common sense, I wonder whether IDs can consider a three-step action plan.

IDs could, singly or severally, try to persuade the directors representing the disputants to step off the board while they sort out their difference through

dialogue, arbitration or litigation. This may help to sequester the company from media reports. A and B nominated directors could return to the board after sorting out differences. C directors have no legal right to seek this action or to enforce this, but they can surely make a request. Their request may well be ignored or rejected.

As a next step, IDs could write to regulatory or empowered agencies about their apprehension of a decline in share prices; since A and B directors are on the board, would their agency like to intervene? The regulator or agency may ignore or reject this request.

As a final step, the IDs could resign from the board, singly or severally. They should not quote the lame duck excuse that they have many priorities, rather they should state their apprehension with transparency, as the law demands. A and B would surely not like it and may even feel pressured to avert such an outcome.

Borrowing from Harvard Professor Eugene Soltes' *Why They Do It: Inside*

*the Mind of the White-Collar Criminal*, IDs who are silent might regard the situation as a business problem, but their actions can be deemed as moral failure. It appears that the IDs did not act in minority shareholders' interests in ICI-Bank and Jet Airways. On the other hand, IDs in CG Power responded by removing the chairman. If IDs adopt an appropriate and calibrated approach, they can develop a moral response as the ominous signals develop. Think of IL&FS, Yes Bank and HDIL/PMC.

A non-corporate practice is of the government booking profits by selling its PSU shareholding to another PSU. The government reports the gain as revenue in its budget accounts. Recall LIC buying IDBI shares or BPCL shares being bought by ONGC. Such practices may be permissible, but are morally questionable.

When I used to visit Bulgaria in the 1980s, I would often hear an expression about bears. I learnt what it meant — if the bear dances in your neighbour's garden, it will soon be dancing in yours for sure.

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## CHINESE WHISPERS

### No country for old men



Turmoil in the Uttar Pradesh unit of the Congress is showing no signs of abating. Some senior leaders seem unhappy with the manner in which the UP Congress Committee (UPCC) was

reconstituted and the way General Secretary Priyanka Gandhi Vadra (pictured) is asserting her authority in the choice of key office-bearers. Peeved at being cold-shouldered, a senior Congressman and the party's prominent Muslim face in UP, Siraj Mehdi, has resigned from the party and has sent an emotional letter to party President Sonia Gandhi. He lamented that the new UPCC gave no representation to the Shia community while the Bharatiya Janata Party governments at the Centre and in UP had nominated Shias in key positions. Mehdi also alleged there was no place for 50-plus leaders in the Congress.

### Rahul breaks out of his shell

Contrary to initial reports that he would not, Congress leader Rahul Gandhi will campaign for his party in Haryana and Maharashtra. Gandhi quit as the party chief after the Congress' debacle in the Lok Sabha polls and had implored senior leaders to follow his lead. None of the veterans have heeded his call, while several of the younger ones have either been sacked or quit their positions in the party. Gandhi's team has refused most requests by party candidates to campaign for them, and acceded to a handful where the candidate is not part of the party's old guard. Gandhi, who returned from his foreign sojourn, appeared before a court in Surat in a defamation case on Thursday. He will address his first public rally in Dharavi on Sunday where Varsha Gaikwad, daughter of Mumbai Congress chief Eknath Gaikwad, is seeking re-election. During Rahul Gandhi's tenure as party chief, Varsha was AICC secretary for Gujarat and Madhya Pradesh Assembly polls. Gandhi will also address a rally in Latur where former chief minister late Vilasrao Deshmukh's sons Amit and Dheeraj are contesting. He will campaign in Haryana on October 14, and return to Maharashtra for another round of campaigning on October 15.

### High Commissioner for a day

Ayesha Khan, a 22-year-old from Gorakhpur, Uttar Pradesh, won the "High Commissioner for a Day" competition and the chance to be the UK's top diplomat to India. The British High Commission said on Thursday Khan spent October 4 overseeing the UK's network in India, chairing briefing sessions, networking with dignitaries, and meeting project beneficiaries. Now in its third year, the competition is a celebration of the "International Day of the Girl Child" (October 11) and was open to Indian women in the age-group 18-23. As part of the selection process, applicants were asked to record a one-minute video on why gender equality was important and state who their biggest gender-equality inspiration was.

# China's rise and its challenges

For a political dispensation that has long relied on providing high economic growth rates to sustain political legitimacy, the current slowdown is a huge problem



HARSH V PANT

China celebrated 70 years of Communist party rule this week with great pomp and circumstance, showcasing its growing prowess with the military parade of troops and weapons including new hypersonic drones and intercontinental ballistic missiles. According to China's Ministry of National Defence, 15,000 military personnel along with 580 pieces of military equipment and 160 aircraft participated in the parade. Chinese President Xi Jinping who is now almost as powerful and influential as Mao marked the occasion with a speech which was as much directed to the domestic as it was to the global audience. From the same spot where Mao had announced the establishment of the People's Republic of China on October 1, 1949, Xi asserted that "there is no force that can shake the status of this great nation. No force can stop the Chinese people and the Chinese nation forging ahead".

Mao's legacy remains contentious as

tens of millions of people died during his catastrophic Great Leap Forward, and the country was plunged into violent chaos during the decade-long Cultural Revolution. It was after his death in 1976 that Deng Xiaoping pursued economic reforms resulting in the dramatic rise of China to its present day status of a global economic superpower. The last four decades have seen China launch serious market reforms, thereby opening up its economy to the wider world and lifting hundreds of millions of people out of poverty. It is a remarkable story of a nation's rise amidst major challenges, of a country emerging from being one of the poorest to one virtually setting the global economic agenda today. Beijing is today focused on the next phase of its global economic evolution by presenting to the world an ambitious vision of global infrastructure and connectivity — the Belt and Road Initiative. It remains very controversial and is facing a number of challenges but there is no denying the fact that it has transformed global conversation on connectivity, forcing major global powers to present their own versions as alternatives.

As Xi Jinping has consolidated power over the last few years, he has repeatedly underlined the need to resurrect the "Chinese dream" — of a nation that remains keen to return to its former glory. Under Xi, China's old reticence of acknowledging its rise is gone and a new assertion of its global standing is quite evident. For the Chinese Communist Party, it is imperative that its own centrality in the evolution of China as a pros-



A float featuring China's national emblem travels past Tiananmen Gate during the parade celebrating 70 years of Communist party rule in Beijing **REUTERS**

perous and powerful country is underscored. That, after all, is the raison d'être of its existence. And so far it has been quite successful in managing the nation's affairs, having now outlived the Soviet Union.

The CCP would be hoping that the 70th anniversary celebrations would further consolidate its hold, enhancing its legitimacy and generating popular support at a time when a range of challenges have emerged to confront China, both economically and politically. The Trump administration has overturned decades of political consensus in Washington about integrating China in the global order. It is now openly confronting China at multiple levels. Most significant of the

problems is in trade where the tariff war between the two most powerful economic powers has escalated. China's economy has been hurt and its growth rate has fallen. For a political dispensation that has long relied on providing high economic growth rates to sustain political legitimacy, this is a huge problem.

Strategically, China is now facing a stronger pushback in the wider Indo-Pacific where regional powers are arranging themselves in new coalitions to challenge China's aggressive projection of its power. Like-minded countries see a need for a new security architecture in the region which can manage China's rise. While a formal system will take time to emerge, informal coalitions are now

growing in number and issue-based coalitions are the norm. It is clear that China's assertiveness will not go unchallenged.

Perhaps most significantly for China it is the problems in what it considers to be its core interests that are becoming difficult to handle. Beijing's handling of its Uighur minority in Xinjiang region is now being widely criticised. In Taiwan, there is growing distrust about Beijing's motivation and anti-Beijing political leadership is gaining in support. And in Hong Kong, China is facing a crisis unlike any it has faced since the 1989 Tiananmen massacre.

In his speech, Xi promised to "maintain the long-term prosperity and stability" of Hong Kong and to uphold the political framework of "One Country, Two Systems" which gives the city limited autonomy. If anything, it should have been clear to Beijing by now that the model proposed by him is actually no longer working in Hong Kong. Anti government protests that started off targeting the controversial extradition bill have morphed into something much bigger. And that anger will now continue to shape Hong King's future engagement with Beijing. Even as China was celebrating this week, protests in Hong King took a turn for the worse when a teenager was shot dead by the police.

So as China celebrates a major milestone in its political evolution, its political leadership is facing a domestic and global landscape that has altered significantly in the last few years. How deftly these challenges are managed will determine the future trajectory of China's rise.

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## INSIGHT

# When is a good time for austerity?



DHIRAJ NAYYAR

In general, austerity is a good trait in governments, just as thrift is a virtue for entrepreneurs, just as there is wisdom in frugality for households and individuals. Perhaps, those are the foundations of any high savings, high investment and highly productive economy. But all economies go through cycles. How governments, companies and households behave in the different phases of the cycle matters. They could either exacerbate the booms and busts or smoothen the cycles at both ends.

It is apparent that the Indian economy has a demand problem. Three of the four major engines of the economy are stalling, certainly not revving up — private consumption, investment demand and exports. The government has its hands on the levers of the fourth engine — its own spending. It is hesitant to put it on full thrust primarily because it has a fiscal deficit target to meet or a fiscal deficit glide path to adhere to. The move to cut corporate taxes was bold. But given the mess in the banking and non-banking financial companies space, investment is not likely to revive immediately. There is scope for taking a bold step forward on personal income taxes. That would give an immediate boost to consumption.

At the same time, the government must not cut its spending, particularly on infrastructure. It would be a good

idea to mop up revenue through disinvestment to bridge some of the deficit but it is time to abandon the fiscal glide path to the target of 3 per cent of GDP. If there is one lesson that has been learnt from the experience of countless countries around the world over the last three decades, it is that austerity is the wrong medicine to administer when growth is low. It only makes recovery more difficult and extracts a high cost from the most vulnerable people in the economy.

There is a time for austerity — when there is a boom. Governments should aim for a minimal deficit or even surplus in a period of fast growth so that there is cushion when the downturn arrives. Unfortunately, the abundance of boom time incentivises precisely the opposite spending behaviour from governments. Redistributive spending of the unproductive kind usually peaks at that time, not just in India but elsewhere in the world as well.

It is because of this errant behaviour of governments that austerity has become part of the economic policy orthodoxy over the years. If the reason for a serious downturn in the economy is runaway government spending in periods of high growth (the story of India in the 1980s running up to the crisis of 1990-91) then the antidote ought to be a tight curb in government expenditure. However, it is not runaway government expenditure alone but runaway government expenditure coupled with a supply-constrained, unreformed economy that leads to a collapse in growth. In 1991, India undertook structural reforms which is why the negative effects of austerity were not felt for long. Fortunately, in 2019, there is no crisis. However, to revive the trajectory of growth, it is important for structural reforms to continue while the government runs a counter-cyclical fiscal policy.

Interestingly enough, companies and even households mirror government spending. Companies usually acquire flab and over extend/over-leverage themselves in periods of high growth and then tighten their belts only when the downturn comes. In the process, they add a multiplier to the boom on the upside but also a negative multiplier on the downside. For households in India, at least until a decade ago, savings tended to be high irrespective of the business cycle. In a more consumption-driven economy, that rate has come down. If indeed households too are overspending in good times and cutting back sharply in bad times, they too may be aiding in exaggerating both ends of the cycle.

The economy would benefit if governments, companies and households acted counter-cyclically. Right now, in India, they are all acting cyclically which is why the economy is slowing down further instead of picking up. It is important for someone to break the cycle. In the short term, only the government can do so with a strongly counter-cyclical fiscal and monetary policy. Once growth begins to climb back, companies and households will likely loosen their purse strings.

By global standards, India is hardly an overspending, deep-in-debt economy. In fact, the debt-to-GDP ratios of households and companies is considerably lower than in most advanced economies and even China (which has switched from an export-oriented model to a leveraged-growth model in recent years). There is plenty of room to finance animal spirits. But first, the downturn must be arrested. And then, once growth has recovered, the government can return to a path of austerity as companies and households take over the task of driving the economy.

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## LETTERS

### Overlook the side effects

This refers to "A new fix for economic decision-making" by A K Bhattacharya (October 9). The issue was waiting to be raised since quality of decision-making lies at the root of effective governance. The process essentially involves defining a problem, generating alternative courses of action and assessing probable outcomes in the face of ground reality. In actual practice, the process gets vitiated. Decisions are made at the highest political level in the government based on predetermined perceptions of problems. This is followed by preparation of necessary paperwork providing justification for the decision made, which is then put up for formal approval. The involvement of experts in the field remains a superficial formality. The likely side effects of proposed solutions are overlooked.

Once a decision is implemented, its success or failure has to be judged by results, not the original intention. The same yardstick applies to political decision-making as well. The impact of decisions on Article 370 and the National Register of Citizens will show up in the direction of events in the next few months. The country must reap the benefits that come from a decisive government. However, one is tempted to say that a secure and confident political leadership need not feel shy of looking at sincere dissenting views before finalising decisions. The main objective of governance is not to outsmart the Opposition.

Political decision-making and economic policies of the government may not be entirely independent of each other. Apart from garnering votes, political decisions do impact a nation's social fabric which in turn affects the invest-

ment climate and inflow of foreign direct investment. The government needs to ensure that its political and economic policy making are not antithetical to each other.

**Vinay Kant Kapur** New Delhi

### Don't let Kerala Bank fail

Since the beginning of the last century when the cooperative movement emerged in India, cooperative banks have played a proactive role in the economic development and social life of Kerala. Attempts by vested interests to capture and manage cooperative institutions and efforts to circumvent regulatory and supervisory requirements did affect the growth of this ideal institutional system, off and on. The problems faced by cooperative banks during demonetisation (2016) and the recent failure of the Punjab and Maharashtra Co-operative (PMC) Bank can be traced to such intervention by external forces.

The conditions relating to capital adequacy, management and institutional set-up subject to which the Reserve Bank has given the go ahead to Kerala Bank appear very liberal. In the context of the recent PMC Bank failure, the stipulation that administration and management will be guided by the present guidelines for managing urban cooperative banks may need review even before the commencement of business by Kerala Bank.

In all probability, it will be the biggest cooperative bank in India and soon get categorised under the "too big to fail" category. That adds to the central government's and the RBI's responsibility to ensure that the dual control (state government having a major role in management matters and RBI's regulatory and supervisory role) does not adversely affect the institution's smooth functioning.

**MG Warriar** Mumbai

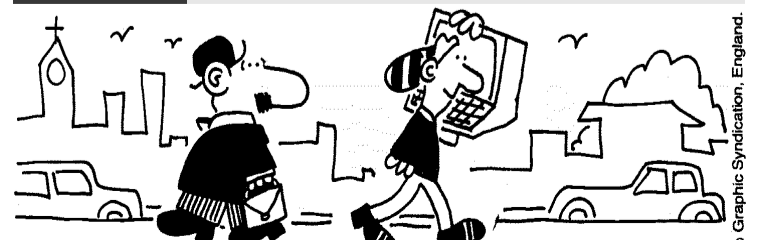
### Lack of accountability

All the bigwigs of the dubious PMC Bank are in custody. This does not assure us that the victims will get their money back. Soon the scammers will get bail and flee the country. Why are the auditors not being taken to task? Surely, such a huge fraud could not have escaped their eyes. Further shouldn't also the income tax authorities have noted their ultra lavish lifestyle? There is yet another case of total lack of accountability. An example of closing the stable door after the horse has bolted.

**Shanmugam M** Pune

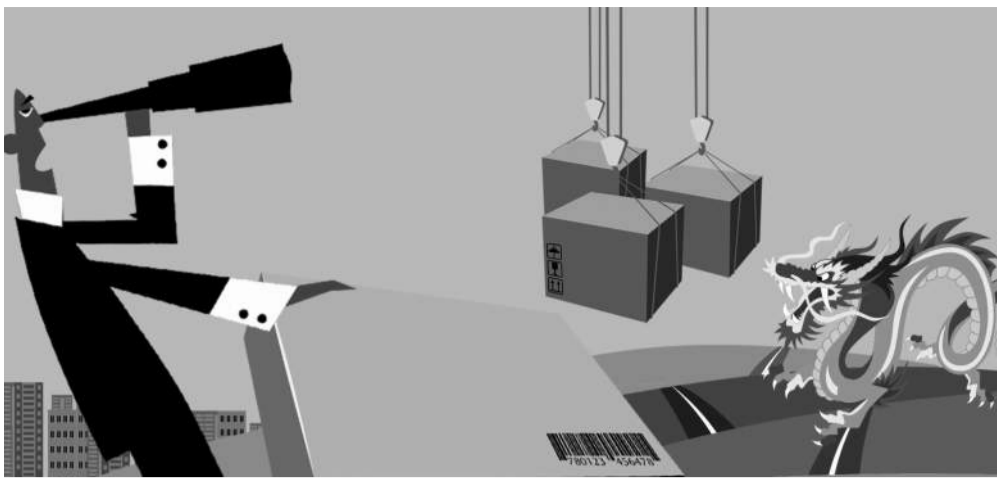
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## HAMBONE



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## A half-trillion dollar shift away from China

There is an opportunity for countries to grab exports worth \$450 billion that India cannot afford to miss

These days rarely a day passes without trade wars making the headlines. And yet, despite more than a year of duties on US merchandise imports from China, and a synchronised global slowdown nearly universally blamed on the trade wars, the headline trade numbers do not seem to have changed much. To investigate this, Credit Suisse surveyed a hundred global companies (with a combined \$1 trillion in annual sales), and pored over trade statistics as well as longer-term economic trends.

Beyond the obvious policy uncertainty (negotiations are still ongoing), we found two main reasons why there has not yet been a more aggressive shift of manufacturing away from China. First, capacity in China is not merely for exporting to the US, but also for the growing domestic demand, as well as for other non-tariff affected export markets. Over the past year or so, a decline in China's exports to the US has been offset by rising exports to the European Union (EU), Vietnam and other nations. While some of this could just be products being re-routed to avoid the duties, a significant part, in our view, was Chinese manufacturers redirecting their surplus capacities to other markets.

And this brings us to the second reason. More than three-fourths of the Chinese exports to the US — that are finished goods sold directly to consumers, such as apparel, toys or handsets — are coming under duties only in the final list. The first three lists mainly had intermediate goods or those sold to corporations, where the duties did not cause a large and visible

price impact on end-consumers. The finished goods sold in the retail market that were part of these earlier lists, such as washing machines, saw significant price increases post tariffs, and that drove down demand. Given that manufacturers use Chinese capacity for global demand, their first response to tariffs in only one country would be to raise prices in that geography. It is only when demand volumes get affected that the pressure to shift capacity would rise, and that should pick up now.

But this only seems to be accelerating a medium-term trend already in play: Nearly two-thirds of firms we surveyed were either already moving some of the production out of China, or were planning to. More than 90 per cent of these would do so even if the tariffs imposed by the US government were reversed.

The main reason is the shrinking Chinese workforce, which is estimated to fall by a further 50 million by 2030. One would assume that this decline would come mainly from the 200 million Chinese workers still in agriculture, but interestingly, the manufacturing workforce has dropped by almost 20 million in the last four years, making both labour cost and availability a challenge for manufacturers. We estimate that number could fall by a further 9 to 15 million in the next five years in the labour-intensive sectors of electronics and appliance assembly, apparel and textiles, footwear, toys and furniture.

The impact on Chinese exports would be exacerbated by growing domestic demand in China. China's



**TESSELLATUM**  
NEELKANTH MISHRA

## Need for a structural push

A 10-notch slip in India's competitiveness calls for wider reforms

The global economy is slowing in a synchronised way and, according to the International Monetary Fund, as much as 90 per cent of the world is expected to witness lower growth this year. The Indian economy has also slowed sharply in recent quarters with growth slipping to a six-year low of 5 per cent in the April-June period of the current fiscal year. Recovery is not expected to be swift at a time when the global economy is losing steam. That would require significant policy intervention. The need for deeper policy intervention in India is also underlined by the latest global competitiveness index of the World Economic Forum (WEF).

In the competitiveness rankings, India slipped 10 notches to 68th position among 141 countries. China was 28th, while Singapore replaced the US at the top slot. Although India's overall score declined only marginally in absolute terms, improvement by other countries pushed India's ranking down. This underscores an extremely important point that an economy like India needs to keep improving its competitiveness to maintain its position. Capital flows are extremely mobile in today's world and tend to move to markets where they are likely to get the best risk-adjusted returns.

The WEF rankings are based on 103 individual indicators, which have been put under 12 "pillars", such as institutions, macroeconomic stability, market size, and innovation capability. India managed to secure a place in the top 50 in just four categories. However, there are risks in these indicators too. For instance, India ranks better in macroeconomic stability and the depth of the financial sector. Stress in government finances and renewed risks in the financial system could affect India's growth prospects and competitiveness in the near to medium term. Although India has gained in the adoption of information and communication technology, it still has a fair distance to cover. India ranks poorly in product market efficiency, largely because of a lack of trade openness. The government has increased tariffs in recent years, which will affect India's competitiveness. Further, India slipped from 75th to 103rd position in labour market competitiveness. The government is in the process of reforming labour laws, but other countries are moving at a much faster pace. It is important to note that in a globalised economy, where countries are competing for markets and capital, changes on the margin may not help. Slow and inadequate reforms in the labour market, among other things, will not allow India to attract firms looking to relocate from China. Besides, India is lagging behind in health and skill development.

The need for deeper structural reforms, both in governance systems and markets, cannot be overstated in India. The fall in India's ranking not only highlights the need for reforms but also underscores their urgency. India needs to move faster than its peers to improve its attractiveness as an investment destination. Although structural reforms may not immediately push economic growth, they will help increase potential growth in the medium term. What can work in India's favour at the moment is that it has a strong and stable government, which is not averse to taking swift decisions. A sharp reduction in the rate of corporation tax last month is a case in point. However, it remains to be seen whether the government intends to back it up with wider reforms.

## The pharma challenge

India must act urgently on counterfeit drugs

In August, the deputy drug controller at the Central Drugs Standard Control Organisation (CDSCO) in New Delhi was taken into custody by the Central Bureau of Investigation, reportedly for corrupt practices related to drug approvals. Several other such arrests have been made at the regulator associated with the Union government as well as some state governments. The regulator itself has recognised in the past year or so that there are aspects of its functioning that need to be altered, which is partly why it undertook a massive reorganisation and mass transfer of officers earlier this year. Advocates of consumer protection are nevertheless convinced that drug administration in India is flawed and lets too many counterfeit drugs through; smaller drug makers are convinced, contrarily, that the regulators are too likely to claim their products are substandard, in order to maintain the advantage of larger generics producers.

The effect of the chaos in India's drug administration is that nobody is quite certain how reliable medicines sold in the market are. Some official figures claim that counterfeit — which includes substandard — drugs in India are less than 2 per cent of those in stores. This is perhaps difficult to believe. In comparable markets such as many African countries, about a third of drugs have been found to be counterfeit. And, indeed, an overwhelming majority of those counterfeit drugs are imported from India. Unsurprisingly, independent studies such as those by the World Health Organization have shown much higher numbers. But such studies have been dismissed by domestic authorities. Under such circumstances, one of the first and most important steps must be a clearer sense of the actual position in terms of counterfeit and substandard drugs. It is easy to see why there is no clarity in this respect — neither the existing regulator nor the drugs companies would be served by a more general understanding of how they are both under-performing in their mandates. However, a broad, transparent and well publicised survey would not just be important on its own merits, but also be extremely useful in terms of mobilising public and political energy for a broader reform of the pharmaceutical supply chain.

That such political energy and investment are overdue is unquestionable. Consider the consequences of one sort of counterfeiting — the production of drugs that, while correctly labelled, have too little of the active ingredient. When such drugs are antibiotics, the public health consequences in terms of the mutation of micro-organisms are severe. This is another reason why India is a superbug hotspot — antibiotics are prescribed too often, and they are sometimes substandard. The next step must be to isolate each step in the supply chain of drugs, and ensure that sufficient regulatory capacity has been created and assigned to each of these steps. It is also necessary to ask whether the state and central drug controllers are duplicating their capacity and efforts, and whether an overall reorganisation and harmonisation are necessary. In the end, the crucial additional requirement will be investment in regulatory capacity, and clear accountability on the part of the regulators. Too often, problematic individuals shift to the regulator and then back to the line health ministries to protect themselves from accountability. This practice must end. The pharmaceutical regulator must be properly resourced — and staffed independently of the health ministries.

## Fiscal policy and the growth slowdown

Several economists have recently argued for increasing public expenditure, through deficit financing, to address the current growth slowdown. This argument rests on the premise that increased government spending would enhance purchasing power in the hands of consumers and firms and, thereby, increase aggregate demand to bolster growth.

I want to unpack the analytics of this argument. For those who consider the current slowdown to be "cyclical" (I don't), this is an obvious textbook prescription — spend more during downturns, less during upturns.

This argument is misplaced. First, public spending has, in fact, been expansionary over the past few years. While on-budget fiscal expansion at the Centre is limited by the perceived need to keep the reported fiscal deficit/GDP ratio under control, off-budget borrowings have easily crossed 1 per cent of GDP, even by my conservative estimates that are much lower than those reported by the Comptroller and Auditor General of India. Second, some commentators repeatedly, and wrongly, assert that the 3 per cent fiscal deficit target is arbitrary; they seem ignorant of the reasoning embedded in every report of the Finance Commission and fiscal responsibility and budget management since 2003, that with financial savings at around 10 per cent of GDP, the public sector borrowing requirement is no less than 7.5 per cent of GDP, even discounting off-budget borrowings. Further increases in public sector debt would only add to the high cost of capital that is sought to be lowered on the monetary and credit policy side. Gains on the fiscal swings mean losses on the monetary roundabouts. Glib allusions to "countercyclical" policies without considering these realities is irresponsible.

Fiscal expansion on purportedly Keynesian grounds can be secured through the balanced budget

multiplier. When growth is demand constrained, government taxes private income and increases its own consumption or investment expenditure to boost aggregate demand. Thus, increased taxes finance increased public spending, with a net positive impact on aggregate demand. This does not work if taxes are not elastic or if the fiscal machinery is demonstrably unable to increase the tax-to-GDP ratio at will. So, the implicit assumption (justified in the Indian context) is that this is not possible; the second best solution must be adopted — government must borrow more. I wish new-born Keynesians would make this explicit.

The question then is: On what should government spend this extra borrowing? India has long been in a situation where over two-thirds of central government borrowing is for revenue expenditure. Borrowing for public investment sounds like a good idea but the fact is that a lot of public investment (like defence), involves spending on imports; a further chunk has been deployed for financial investment, not fixed capital formation. Fixed capital formation at the central level is too small, and the time lags in executing such investment too long to make a difference, even if the magnitude is temporarily doubled.

Government can borrow to increase revenue expenditure on transfers. This would alleviate the problem as long as the macroeconomic assumption is that there is capacity underutilisation across the economy. But I have been pointing out for some time now that the Indian economy faces a structural demand problem driven, *inter alia*, by the lack of wider participation in economic activity, limiting effective aggregate demand, even as growth slows in extant sources of demand for things measured by the "leading indicators" (automobiles, FMCG, consumer durables) of the economy. Add to this the problems faced by the financial sector, poor transmission of credit policy, and a public sector and public administration that is,

rising dependency ratio (that is, the number of individuals dependent on a worker: Children or retired people) bottomed out a decade ago, and has been rising ever since, a natural consequence of the one-child policy implemented four decades ago. As the number of consumers and their ability to consume grows, but the number of producers falls, its surplus production available for exports is likely to fall faster. While mechanisation may help grow production at the margin, robots today are nowhere close to providing the range of actions that humans have, particularly at current costs.

We estimate that \$350-550 billion of exports could switch out of China in these industries in the next five years: The number could be much higher if the other countries are able to absorb it. Vietnam, for example, which topped the list of countries that companies in our survey said they were moving manufacturing to (India was second), is too small given the scale of the opportunity: It grows manufacturing GDP by just \$5 billion every year and firms feared it "would fill up in five years". Bangladesh gets almost 90 per cent of its exports in apparel, and languishes on nearly all metrics of "ease of doing business". Other East Asian nations are either not large enough or lack the labour cost advantage: They may benefit from manufacturing shifts in high-technology goods.

A large part of the increase in the global workforce till 2030 is likely to happen in sub-Saharan Africa, India, Pakistan, Indonesia, North Africa, and West Asia. With the exception of India and Indonesia, most of these have struggled to grow labour productivity meaningfully and sustainably, implying they are not natural options for firms exiting China.

Unfortunately, India too is punching well below its weight. Several large technology firms are indeed investing in India as an export base, and 25 per cent annual growth in electronics manufacturing in India over the last four years has managed to stall the increase in net imports of electronics. Self-sufficiency has improved not just in handsets but in consumer appliances too (like air-conditioners). Much of this is merely assembly so far, but the component supply chain is also starting to move to India.

But India is not even on the radar for high-technology manufacturing shifts, and the most disappointing and perplexing trends are in apparel, where wage costs make a big difference. This despite there being a local ecosystem and most large buyers already having sourcing offices in the country. Cotton apparel exports shifting out of China have moved to Bangladesh, and synthetic apparel to Vietnam. There is at least a reasonable explanation for cotton, given that wages in Bangladesh are half that of India, in addition to more flexible labour laws. In synthetic apparel, however, despite workers in China being nearly three times more expensive than in India, and even Vietnam now 30 per cent more expensive, India has barely any export share. Business owners say that high import duties on chemicals that are used to make synthetic yarn have stunted the whole value-chain in India.

Foreign direct investment was rising even before the recent cut in corporate tax rates: One of the few bright spots in the Indian economy in the past six months. It should continue to be strong, but the opportunity is much larger, and one that is only India's to lose.

The writer is co-head of Asia Pacific Strategy for Credit Suisse



**RATHIN ROY**

collectively, a deadweight drag on productivity (with a few honourable exceptions) due to years of neglect of necessary administrative and structural reforms.

In these circumstances, transfers will, at best, facilitate a temporary increase in aggregate demand in sectors other than the leading indicators. The supply response to this will persist only if such transfers financed by borrowing are maintained over the medium term. This is because the aggregate demand increase is powered only by transfers, not increases in income. Since the problem is structural, it will not go away, simply by boosting generic aggregate demand through transfers. Hence, permanently increasing government borrowing to pay for transfers would only reinforce the structural demand problem.

And should I even bother pointing out the negative consequences of such persistent fiscal imprudence, and the historic price India has had to pay for this, across our history? The addition to deficit financing seems to afflict so many policy commentators, with the result that (as former CEA Shankar Acharya wrote in, "Fiscal deficits — a short history", March 8, 2017, *Business Standard*) the historic record of central government on deficit financing resembles that of an alcoholic struggling to keep addiction at bay.

Of course, an asset rich, but revenue poor, central government could monetise and deploy assets to boost aggregate demand by pursuing laudable structural policies like doubling farmers' income and scaled up investments in renewable energy and affordable housing. This government has shown willingness and fiscal appetite for such initiatives, but not, yet, the political will to address the binding constraint — the regulatory and institutional legacy hurdles that inhibit the speedy execution of these initiatives. Event management can distract from, but not permanently mask, execution failures. Addressing these hurdles that do not cost money should be the central focus of economic policies when faced with a structural slowdown that has deep domestic roots.

The writer is director, National Institute of Public Finance and Policy. Views are personal

## Kashmir's partial story



BOOK REVIEW

CHINTAN GIRISH MODI

It is simplistic to frame the communications blockade in Kashmir as a battle between Hinduism and Islam, or even Hindutva and Islamism. India does have a majoritarian government with little respect for democratic institutions, and it ought to be held accountable for human rights violations. However, the erstwhile state of Jammu & Kashmir has a beleaguered history that extends far beyond the present dispensation in Delhi, and security issues. He used to serve in the reorganisation of this state into two

Union Territories — Jammu & Kashmir and Ladakh — must be understood in relation to what has transpired in this region in the past, and India's aspirations to counter Pakistan and China on a political chessboard where these two play as one team.

Iqbal Chand Malhotra and Maroof Raza's book *Kashmir's Untold Story: Declassified* will hold the interest of readers who are married to the idea that Kashmir is an integral part of India, and that India should do everything it possibly can to defend this claim. Mr Malhotra has studied economics, and worked as a television producer. His grandfather apparently used to spend Sunday afternoons with Maharaja Hari Singh at Bombay's Royal Western India Turf Club. Mr Raza is a commentator on military beyond the present dispensation in Delhi, and security issues. He used to serve in the Indian Army, and now works as a con-

sulting editor with a news channel on television. What began as a collaboration between them on a documentary film eventually became a joint book project.

*Kashmir's Untold Story: Declassified* is a page-turner high on political intrigue but so densely packed with detail that it can be disorienting for readers who are encountering this information for the first time. The chapter titles give the impression that the authors view Kashmir as a crucible of conflict, and not as the home of people who have lived there for centuries. These titles are: 'Unfathomable Depths', 'Cloudy Waters', 'Emerging Ripples', 'Swelling Crests', 'Lashing Waves', 'Temperamental Tides', 'Stormy Seas', 'Emerging Abyss', 'Deeper Waters', 'Rising Tsunami'. Messrs Malhotra and Raza are interested in questions of security and strategy from the perspective of a nation-state that would like to contain

and neutralise all threats to its sovereignty. They do not engage with the sentiments of Kashmiris affected by the ongoing conflict, the impact of militarisation on their mental health, their aspirations for self-determination, or their unflinching resistance.

Since the book does not present itself as a people's history, the authors think that they can get away with downplaying the mass rape of Kashmiri women in Kunan Poshpora in 1991, and the use of pellet guns on unarmed civilians during the wave of protests that followed the killing of Hizbul Mujahideen commander Burhan Wani in 2017. These events have been widely reported but this book, in its refusal to acknowledge what has happened clearly betrays its ideological sympathies. It is uncritical of the Armed Forces Special Powers Act, and stays away from addressing the issue of disappeared persons, encounter killings and mass graves — all of which are part of the Kashmir story. It makes no effort to show how ordinary Kashmiris who wish to lead

a peaceful life have become disposable citizens while their land continues to be valued for its strategic importance.

Messrs Malhotra and Raza have undertaken an exhaustive analysis of why the erstwhile state of Jammu & Kashmir has been significant for the British, the Americans, the Russians, and the Chinese at various points of time, and what this has meant for the relationship between India and Pakistan. This conflict might seem bilateral on the surface but it has multiple stakeholders. There are no permanent allies or enemies in the world of politics. Equations change when interests align in mutually beneficial ways. This book will help readers appreciate why Prime Minister Narendra Modi and Prime Minister Imran Khan are pursuing diplomatic channels to gather support from various countries. The Cold War of yore might be over but the international community is still divided into camps. India and Pakistan need to know who will have their back when the time comes.

The authors also expose how Pakistan

has sought to weaponise Islam in Kashmir by promoting a puritanical version of the faith through Wahhabi madrasas sustained using illegal funds transferred across the Line of Control. This assault on Kashmir's syncretic culture and Sufi traditions from Pakistan-backed Islamist outfits has conflated *azadi* with *jihad*, and has given a religious subtext to an indigenous freedom movement. It is evident that Pakistan's interest in Kashmir, just like India's, is tied to its natural resources and strategic location. If Pakistan cared about Muslims, it would not overlook Chinese atrocities against Uighur Muslims, or wage a war against its own Pashtun and Baloch citizens. What it cares about is Chinese money.

**KASHMIR'S UNTOLD STORY: Declassified**

Iqbal Chand Malhotra and Maroof Raza  
Bloomsbury, 202 pages, ₹499

# Opinion

FRIDAY, OCTOBER 11, 2019



## CHECK MATE

Union Home Minister, Amit Shah

Prime Minister Modi recently returned from the UN, and the entire world is standing by his decision to abrogate Article 370. On the other hand, Pakistan stands alone in a corner

## Smart move by RJio, others should have emulated it

It benefits if its customers can pressure Trai to scrap IUC; if that doesn't happen, it benefits from higher revenues

**ASKING ITS CUSTOMERS** to pay the six-paise per minute interconnect usage charge (IUC) for calls they make to other networks like Bharti Airtel or Vodafone Idea, is a win-win for RJio. If the customers are upset about paying 18 paise for every three-minute call they make and can pressure the telecom regulator (Trai) to scrap the IUC, RJio benefits as its customers make around twice as many calls as they receive from other networks. Since its launch in September 2016, RJio has paid other mobile phone firms ₹13,500 crore as IUC charges, but has not asked subscribers to pay for this since its USP was the free calls as long as customers paid it for using data; under Trai rules, each time a call is made to another network, an IUC charge must be paid. By asking subscribers to pay the IUC, RJio is painting Bharti Airtel and Vodafone Idea as the villains; interestingly, when the IUC was a higher 14 paise per minute at the time RJio began its services, it never charged customers for this.

If, on the other hand, Trai doesn't scrap the IUC—as per its original plan, this was to be done by January 1, 2020—RJio will get a 10-12% increase over what the subscribers pay it right now, and that will help improve its profitability considerably. And, since RJio has said it will compensate its customers for this IUC-charge by giving them extra data on their current plans, this ensures its customer-friendly image doesn't suffer; if RJio's network is relatively uncongested, the costs of giving customers more data won't cost that much extra either.

While it is not clear whether Trai will scrap the IUC, chances are it won't since most telcos are in very poor financial shape. Indeed, till the last quarter, industry revenues have been falling for several years, and this has put at risk not just around ₹2.5 lakh crore owed to banks but also the ₹3 lakh crore or so of spectrum dues to the government—telcos paid an upfront fees, and most auctions allowed them to pay the balance in equal installments after an initial moratorium. Indeed, there have been no auctions for the last three years due to industry finances being a mess.

What is surprising is that none of the legacy telcos have come up with an equally smart strategy as RJio's. Around 400 million telecom subscribers are still on the old 2G network and while a large number of them don't pay much, telcos still made some money via the IUC since, whenever these customers got a call, an IUC was paid by the calling party. So, when Trai cut the IUC from 14 paise per minute to six paise in 2017, the older telcos should have started cutting off the lower-paying subscribers and blamed the Trai for this; they have started doing this now, but without blaming Trai. While Trai justified the IUC-cut by using the operating costs of IP-based networks, like those of RJio, which are much lower than those of legacy networks, it never thought of how poor subscribers with basic 2G phones would move to 4G networks that both required more expensive phones—RJio heavily subsidised the cost of its feature phone to make it more affordable—and higher billing plans. While it is understandable that telcos wouldn't want to take on the regulator so openly, certainly the government needed to ask the regulator to justify the cut since it was always obvious it would result in, eventually, poorer customers getting shut off from telecom networks; given 4G customers pay 3-4 times what 2G ones do, even the older telcos are quite happy to move to 4G networks.

## RBI right on Indiabulls-LVB

But it needs to push mergers of weak banks quickly

**IT IS REALLY** not much of a surprise that RBI has turned down the proposal to amalgamate Lakshmi Vilas Bank and Indiabulls Housing Finance. To be sure, the rationale for the merger sounded good: each had its frailties, but the strategy was that the cheap deposits from one would help fund the loans of the other, to create a business with scale. However, allowing promoters connected with the real estate business—especially the commercial piece—to enter the banking sector is not a good idea. This was the central bank's philosophy even when the guidelines for new banking licences were announced in 2013 and the reason why many business groups didn't bag one. Since then, promoters with large financial exposures to the real estate sector have entered the financial services space and tried to make a back-door entry into banking, but these attempts were nipped in the bud.

There are those who argue, however, that the financial markets may just have turned a little more vulnerable to defaults; the BankNifty tumbled 770 points on Thursday as investors worried about how Indiabulls would make ends meet. The big concern is that it owes banks a lot of money, which constitute a big chunk of its long-term borrowings of around ₹1 lakh crore at the end of March 2019. Refinancing loans in this tight-liquidity and risk-averse environment is going to be a big challenge. The banks may claim their loans to Indiabulls are backed by assets, but we know how fast the value of some of these assets can depreciate in a jittery market such as today's. Analysts have pointed out that Indiabulls's exposures to developer funding as also loans against property are somewhat troubling. Therefore, the regulator must ask Indiabulls to deleverage quickly by selling assets.

Indeed, given how growth seems to be stalling and credit offtake is turning negative, it won't hurt to initiate some restructuring of the financial system. There is now definitely a case for greater consolidation with the larger and stronger private sector banks taking over smaller and somewhat fragile lenders—whether banks or even NBFCs—provided the latter have no exposure to commercial real estate and provided the promoters are asked to go. It might seem the central bank is being harsh in not giving smaller banks more time to stabilise their operations but we simply cannot afford another default post IL&FS and DHFL because the risk averseness of lenders is choking the flow of credit. Some merger moves need to be initiated now before any more lenders fail. And the regulator must keep a watch on how NBFCs are raising resources to make sure they are not endangering the system.

## Healing MINDS

A new survey on mental health highlights the acute lack of awareness about mental health in the country

**FTHE FINDINGS** of National Mental Health Survey released a few years ago were not worrying enough—the study found that over 150 million patients were in need of active intervention—a new study by Cosmos Institute of Mental Health and Behavioural Sciences and World Federation of Mental Health shows that India accounts for 28% of the global suicides. According to a *Times of India* report, the study covering 10,233 individuals in 175 districts of seven north Indian states found that nearly half of the people were not aware of mental health issues and had no access to mental health facility. While the good part was increased use of technology to disseminate information and provide mental healthcare—87% seemed to favour use of mobile apps and telemedicine—given the high costs, it is possible that it may not be affordable for many in the country. Costs of treatment was listed as a significant deterrent, with 80% reporting that they did not have health insurance or did not know whether a health insurance plan covered mental health. An investigation by *News-Minute* found that despite Insurance Regulatory and Development Authority of India making it mandatory for insurance companies to include mental illnesses in their offerings, not many have done this.

Although the government launched the National Mental Health Programme in 1982, little has been done to address the problem. The aim was to bring mental health service to each district, but that hasn't happened. While the government passed the Mental Health Care Act, 2017, only 19 states have formed a board in compliance with the regulations. Unlike physical illnesses, there is a stigma attached to mental illness, which needs to be addressed for any effective care to take place. With more students and youth exhibiting signs of depression, there is a need to spread awareness about mental health campaigns—a 2010 *Lancet* study found that interventions across 10 European countries led to reduction in suicidal rates and ideas among adolescents.

## REVIVING GROWTH

INCOME TAX RATE CUTS SHOULD COME ONLY IF DIWALI DEMAND IS WEAK, THERE IS WEAK RATE-CUT TRANSMISSION BY BANKS AND GOVT FINDS WAYS TO FUND THE CORP TAX RATE CUT

# What could spur income tax rate cuts

**CAN THE UNION** government income tax rates too as some media reports suggest? We think that the bar is pretty high, despite the recent Direct Tax Code report recommending it. Its new tax slabs, as reported in the media, would likely cost ₹1750bn/\$25bn/0.8% of GDP, a top 0.7% of GDP released by September's corporate tax rate cut. There is no doubt that a demand-side measure, like the income tax cut, has a more immediate growth impact than a supply-side measure like the corporate tax rate cut, in our view. Along with RBI measures, this would help to defuse the 2018 liquidity crunch that has pushed up lending rates and hurt demand. On our part, we see three pre-conditions for Delhi to cut income tax rates now: 1) muted Diwali festival demand; 2) banks not passing on RBI rate cuts even after linking retail/SME loans (~40% of

## INDRANIL SEN GUPTA & AASTHA GUDWANI

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



bank book) to external benchmarks like the RBI repo rate; and 3) greater comfort about funding the fiscal gap. This could come from the ability to step up RBI OMO if FPI flows do not revive or quick privatisation. On balance, we expect the RBI MPC to cut 25bps on December 5, pause as growth/inflation goes up on base effects, and if global growth slows, cut another 40bps to 4.5% by September.

Income tax cut directly spurs demand

The recent Direct Tax Code has pro-

posed cuts in both income and corporate tax rates. After September's substantial corporate tax rate cut, media reports suggest that Delhi can cut income tax rates as well. We estimate that the Direct Tax Code's new income tax slabs, as reported in the media, will likely cost ₹1,750bn/\$25bn/0.8% of GDP. ₹1,000bn will be borne by the Centre and ₹750bn by states in line with the 58:42 devolution ratio. The corporate tax rate cut that could take 2-3 years to take effect. Along with RBI easing, income tax cut would help to defuse the 2018 liquidity crunch that

has pushed up lending rates and hurt demand. While the corporate tax rate cut should theoretically spur investment, businesses will expand capacity only if they see demand picking up.

Pre-conditions: weak Diwali, sticky lending rates, RBI OMO

**Muted Diwali festival demand:** Investors should track retail sales into the October 27 Diwali festival. Our auto analyst expects multiple discount schemes to sell passenger vehicles and two-wheelers in the festive season. Our consumer analyst also expects consumer companies to offer promotion schemes.

**Weak transmission even after external benchmarks:** We think Delhi will look to cut income tax rates now if banks do not pass on the 25bps October 4 RBI rate cut even after linking retail/SME loans (~40% of bank book) to external benchmarks like the RBI repo rate. Media reports suggest that some banks are already reducing lending rates.

**Funding corporate rate tax cut:** A quick income tax rate cut would likely be feasible only if Delhi gets comfort about financing the corporate tax rate cut that should lead to fiscal slippage of 50bps of GDP. Besides privatisation, this can take 2 forms: *Step up in RBI OMO if FPI flows do not revive.* FPI inflows, at \$2.5bn FYTD, are running well below \$12.5bn FY20 BofAMLe. *Use of RBI surplus capital:* The MoF could meet the fiscal gap utilising RBI's surplus capital (₹520bn) identified by the Jalan committee and interim dividend.

Edited excerpts from BofAMLe's 3 pre-conditions for income tax rate cuts (October 10, 2019)

### Income tax cut will push the Centre's fiscal deficit to 4+% of GDP

Item (₹ bn)	FY18 Actuals	FY19 BE	FY19 RE	FY19 Prov	FY20 BE	FY20#	FY20# BofAMLe*	FY20# yoy	FY20# y-o-y	FY20# BofAMLe*
1. Revenue receipts	14,352	17,257	17,297	15,631	19,627	16,408	15,393	13.50%	5.00%	-1.50%
Tax revenue	12,425	14,806	14,844	13,169	16,495	13,908	12,893	11.10%	5.60%	-2.10%
Non-tax revenue	1,927	2,451	2,453	2,462	3,131	2,500	2,500	27.60%	1.50%	1.50%
2. Capital receipts	1,156	922	932	1,028	1,198	1,100	1,100	28.50%	7.00%	7.00%
2.1 Recovery of loans	156	122	132	178	148	200	200	12.10%	12.40%	12.40%
2.2 Other receipts	1,000	800	800	850	1,050	900	900	31.30%	5.90%	5.90%
3. Total receipts (1+2)	15,508	18,179	18,229	16,660	20,825	17,508	16,493	14.20%	5.10%	-1.00%
4. Revenue expenditure	18,788	21,418	21,406	20,084	24,479	22,496	22,496	14.40%	12.00%	12.00%
of which, interest payments	5,290	5,758	5,758	5,826	6,604	5,900	5,900	14.70%	1.30%	1.30%
1.2 of which: Oil Subsidy	275	249	244		249	400	400	2.10%		
5. Capital expenditure	2,631	3,004	3,166	3,030	3,385	2,890	2,890	6.90%	-4.60%	-4.60%
6. Total expenditure (4+5)	21,420	24,422	24,572	23,114	27,864	25,386	25,386	13.40%	9.80%	9.80%
7. Gross fiscal deficit % of GDP	5,911	6,243	6,344	6,453	7,037	7,878	8,893			
8. Gross fiscal deficit	3.5	3.3	3.4	3.4	3.4	3.8	4.3			

\*All fiscal stimulus#BofAMLe Source: BofA Merrill Lynch Global Research estimates, Ministry of Finance

## Rescuing India's economy

Instead of engineering a growth acceleration to go with a demographic dividend, policymakers have allowed growth to slow

### NIRVIKAR SINGH

Professor of Economics, UC, Santa Cruz. Views are personal



**THE INDIAN ECONOMY** is in a very difficult position. Instead of engineering a growth acceleration to go with a demographic dividend, policymakers have allowed growth to slow dangerously, with underlying causes that can lead to long-term harm. The most severe problem lies in the financial sector. Financial intermediation is meant to channel funds from savers to investors. The investors are supposed to put the money to productive use. This generates returns for investors and savers, and overall economic growth.

When the global economy was booming, India also grew rapidly, and saving and investment rates went up, supporting that growth. When the financial crisis hit, like most countries (developed or developing), India injected fiscal and monetary stimulus to ward off a depression. But, this allowed a situation where a lack of structural reforms meant that savings were going more and more to speculative or unproductive investments (or simply being effectively stolen).

What we are seeing now is a wave after wave of problems associated with a speculative boom gone awry. First, it showed up in the banking sector, then in non-bank financial companies, and most lately in cooperative banks. There is plenty of blame to go around for this situation: politicians who are corrupt and lack knowledge, or are focused on their own power; bureaucrats share the same traits; regulators are out of their depth in a complex modern economy; and economists know less than they admit.

But rather than spending time at pointing fingers, we should focus on remedies. The situation is dire enough that this should be thought of as a rescue operation. The broad contours are easy enough to layout, but turning those into detailed, coherent, well-implemented policies will be a challenge, as it always has been in India. The biggest priority is a clean up of the financial sector. An overhang of bad debt can kill growth for

many years. Just look at Japan. More focus, attention, expertise and resources need to be devoted to this ongoing task.

Second, clean up needs to be accompanied by structural reforms. Too many financial institutions in India are poorly structured, poorly managed, poorly regulated. Fixing this will be a Herculean task. Structural reforms create losers and they resist those changes, but the danger of extreme outcomes can help to concentrate everyone on minimising the pain. Of course, sometimes an outsider has to make the tough decisions. The additional cost of bringing in expertise is trivial compared to the potential economic damage of a financial standstill. The regulators really need to step up here, since the problems have arisen because of their failures as well.

With respect to demand and growth, consumption and investment are the major components of demand. There is a chicken and egg problem here. If households are not spending, then firms have no incentive to invest, especially if they already have too much capacity. The government has given tax breaks to households and firms, but directly putting money into consumer pockets is needed. Rural work programmes are a relatively inefficient way to do this, but putting money into all the new rural bank accounts that have been created might help.

What happens to inflation and the fiscal deficit? In retrospect, the inflation hawks seem to have missed the signs of a downturn. Monetary policy stayed tight long enough to crush high inflation expectations, but too long, given all else that was going on. Aggressive monetary easing, as is going on, will help, but it has its own problems, since it hurts savers, and doesn't necessarily increase borrow-

ing and investment when balance sheets are bad and uncertainty is high.

The biggest mistake has been a fiscal responsibility framework that neglects the business cycle and the possibility of severe downturns. The government should be less focused on fiscal deficit targets in the short run, and should not try to pretend they are being met by creating overoptimistic projections. In all of this, the failure of economists to provide robust and reliable models of the behaviour of India's macroeconomy is striking.

The government has a perennial problem of failure to raise adequate tax revenues. Periodically, it resorts to "tax terrorism," which only creates more uncertainty and damages growth. A programme of improving the tax structure and administration from centre down to states, cities and villages needs to be implemented to address this problem. Meanwhile serious privatisation is an obvious and necessary step to reduce one aspect of the government's own wastefulness.

In 1991, India faced a severe crisis that triggered major reforms. Those reforms would have been politically difficult otherwise, but were easy to conceptualise and implement, since they involved removing controls that were strangling economic growth. The problem had been brewing since the late 1980s, and smaller efforts at reform had been made. Now the government has to conceive, prioritise and implement more complex reforms, which involve improving the quality of many public institutions. Its recently won robust parliamentary majority give it political room to do so. It will be interesting to see if it can, and will assemble the varied expertise and knowledge needed to rescue India's economy before things get even worse.

## LETTERS TO THE EDITOR

### Millennials, get a thunder

While the subject that radical climate-activists across the globe, have set the right precedent, remains debatable—it is more important to focus on the message being rendered, than its delivery. Renowned leaders, participating in regular/ad-hoc climate-change conferences and discussion forums, are expected to prioritise the implementation of key initiatives as well, in order to combat the growing risks. Proactiveness and lateral-thinking is mandatory, when it comes to human-life, who bear the brunt of floods/cyclones, poor air-quality, deforestation and forest-fires; time and again. Despite huge technological-advancement and global-innovation, the past decade has witnessed an alarming-rise in levels of greenhouse gases, primarily on account of increased fuel-combustion and industrial activities. Awareness and preventive measures are pre-requisites to surmount the risk. Besides, global warming or excessive drought, concerns are mounting over glacier melt-downs, rise in sea-levels and violent tropical-storms too. It is necessary to act in time and prevent toxic-emissions, drastic climatic-changes—instead of blaming fluctuations in sun's heat, variation in ocean-currents, questionable measurements, faulty climate-models or misleading scientific-concepts. Counting merely on cyclical processes to ensure re-absorption of pollutants/emissions by the water-bodies and carbon-sink forests; won't serve the larger-cause. The negative impact on agriculture, health, economy and environment has already started to outweigh the positives. Increasing oxygen-poor ocean-zones, carbon-dioxide release by rainforests, loss of life due to heatwaves/extreme temperatures, de-growth in crop-yield/soil-productivity and extinction of rare species—rings an alarm bell, loud enough.

— Girish Lalwani, New Delhi

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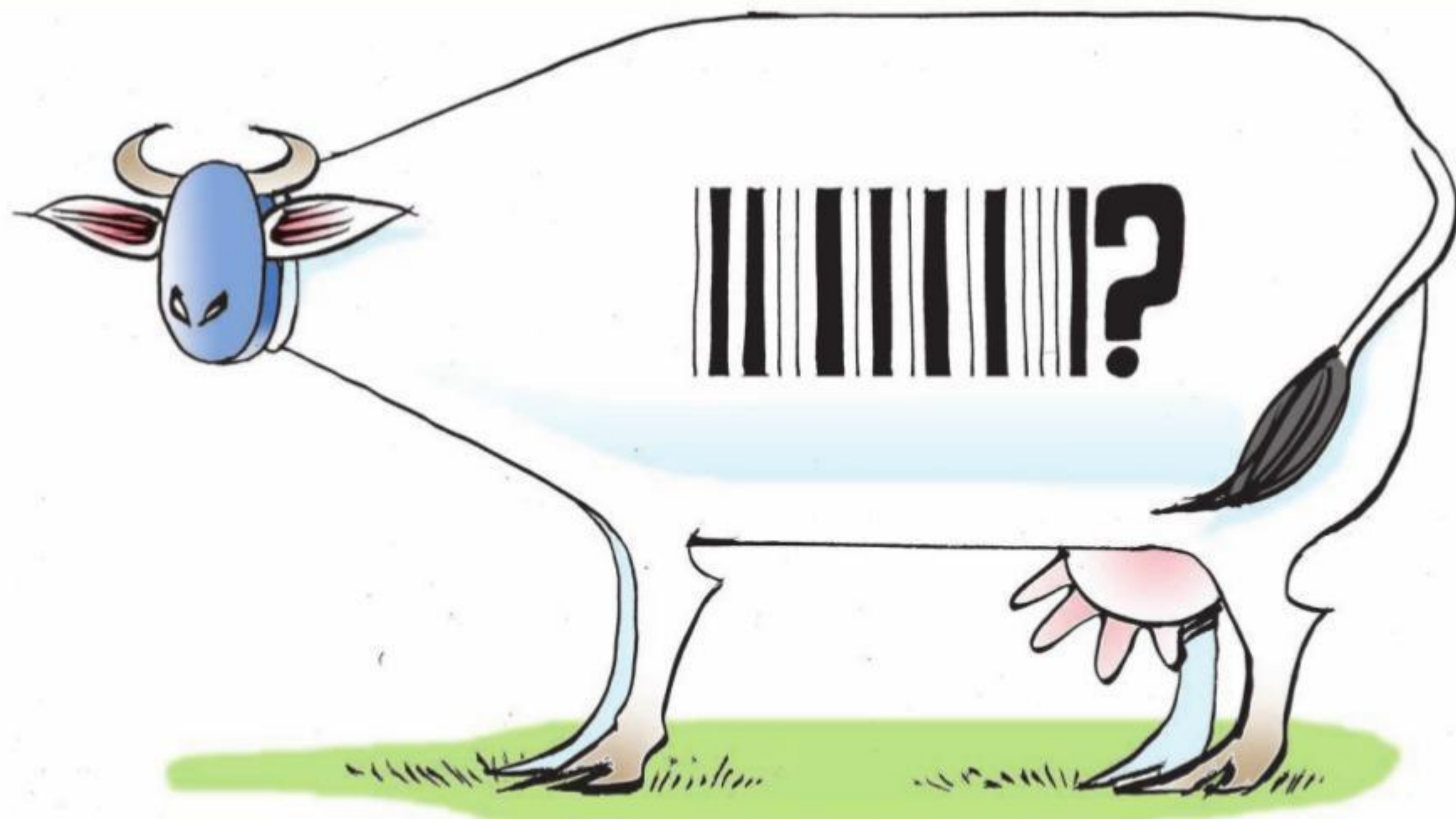


ILLUSTRATION: ROHNIT PHORE

● ONE IN THE AI

# US blacklists China's AI firms

The move, linked to repression in Xinjiang, strikes at the heart of China's technological ambitions

**F**OR TWO YEARS reports of mass incarceration have seeped out of the remote Chinese province of Xinjiang. Over 1m people, mainly Uighurs and other Muslim minorities, have been locked up in camps. Millions more live under a police state. American officials, fearful of upending trade negotiations, have dithered over a response. On October 7th, three days ahead of the 13th round of talks, they put their foot down. The Commerce Department banned American firms from selling software and hardware to 20 public-security organs. It also blacklisted eight Chinese companies whose products, it says, facilitate the Orwellian surveillance in Xinjiang.

The ban hits at the heart of China's artificial-intelligence (AI) ambitions. The eight firms include startups working on facial recognition (Megvii, SenseTime, Yitu), voice recognition (iFlytek), digital forensics (Xiamei Meiya Pico) and chip-making gear (Yixin), as well as Shenzhen-listed makers of video-surveillance kit (Hikvision and Dahua). Together they are worth around \$75bn. In August Megvii and Yitu were designated as national champions.

How much will it hurt? Most of the firms are probably using American components. The 10% post-ban drop in the share price of Ambarella, an American maker of computer-vision chips, suggests that the Chinese are important customers. Huawei, a telecoms giant on the same blacklist since May over concerns that Chinese spooks use its gear to spy on America, expects to lose \$10bn in revenues this year, mainly from its smartphone business.

Things may not be so bad for the octet, at least in the short run. They have been hoarding parts in anticipation of a ban and have sought other suppliers. Since the array of components they require is tiny next to Huawei's needs, they can buy essential ones on secondary markets. Jefferies, a bank, reckons domestic chipmakers such as DePhi, Horizon and HiSilicon, an arm of Huawei, can make up any shortfall.

The firms were quick to downplay the ban's impact on their business. Xiamei Meiya Pico said its hardware no longer home-grown and "highly replaceable". iFlytek said the restrictions would have "no significant impact" on daily operations. Most cameras built by Hikvision and Dahua are thought not to contain sophisticated American innards. For the "very small fraction" that cannot be substituted, Hikvision said it would ask clients to source and integrate the parts themselves.

The ban's longer-term effects look hazier. It has spooked the firms' Western research partners, whose help they rely on to develop cutting-edge technology. On October 9 the Massachusetts Institute of Technology, which cut ties with Huawei earlier this year, said it was reviewing those ties with SenseTime. American suppliers who lobbied their government to keep selling to Huawei may recoil at defending firms suspected of aiding human-rights abuses.

Foreign customers and investors may be put off, too. Over a quarter of Hikvision's revenues come from abroad. In 2018 it entered the MSCI index of emerging-market stocks. But foreign shareholders are skittish. After selling its stake UBS, a Swiss bank, is no longer among its ten biggest investors. This week Goldman Sachs, an investment bank, said it was reviewing its role in Megvii's forthcoming flotation in Hong Kong. Megvii insists its blacklisting reflected a "misunderstanding" of the company, which earned 1% of its revenue in Xinjiang last year and requires clients "not to weaponise our technology".

The ban came days before the latest round of trade talks, due on October 10. President Donald Trump may see it as a bargaining chip. Sam Sacks of New America, a think-tank in Washington, discerns darker motives. The blacklisting is "a clear shot across the bow from the decouplers of DC", referring to national-security hawk's intent on disentangling the commercial ties that bind the two superpowers. Sure enough, the move prompted China to decry America's "wanton interference" in its internal affairs. It threatened retaliation.

THE ECONOMIST

VIVAN SHARAN

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● RCEP CHURN

# Protecting Indian dairy from itself

Both cooperatives and private dairies should participate equally in policy conversations. However, a handful of large cooperatives command asymmetric policy clout stemming from large production volumes. This is problematic

outright. The political will of leaders like Lal Bahadur Shastri complemented the vision of technocrats like Amul's Verghese Kurien, and created perfect conditions for boosting milk production. Unfortunately, this initial production focus has hardwired rigidities that are hard to shake off.

Consider some takeaways from the National Action Plan for Dairy Development prepared by the government in 2018, in relation to the RCEP debate. The plan is unequivocal on two fronts. India's cattle numbers cannot increase substantially, chiefly because of the immense ecological pressure from water-use and cattle-feed. This puts the onus on improved productivity to expand future production. Additionally, less than half of the marketable production surplus is handled by the organised sector. Cooperatives and private dairies share this organised sector equally, and must, therefore, share responsibilities for addressing the productivity gap.

Thus, both cooperatives and private dairies should participate equally in policy conversations. However, a handful of large cooperatives command asymmetric policy clout stemming from large production volumes. This is problematic on three counts.

First, private sector dairies would undoubtedly benefit from an FTA if it leads to commercially meaningful opportunities for investors in the dairy value chain—particularly at the higher end—in differentiated products like cheese. Private dairies have built their processing capacities much faster than cooperatives despite their first-mover advantage. Global dairy majors like Danone and Lactalis consequently invested in mid-sized and large dairies in India. The market access provided by RCEP could be used to position India as a milk processing hub for Asia. And, at a time when domestic investments are waning across all segments of the economy, the RCEP would be a boon to private dairies. Low private sector awareness and lack of effort by state institutions to bridge such knowledge gaps, mean that the private sector has no real voice.

Second, large cooperatives naturally attract politicians because of their scale and influence. Take Amul as an example—which sits atop 18 milk unions and where most union appointments are political. Congress dominated the appointments of union heads until the

mid 2000s when the BJP began to wrest control. This inevitable political interest in large milk cooperatives generates perverse economic incentives. For instance, milk prices are often suppressed before elections to keep consumers happy, even if market dynamics dictate otherwise.

Similarly, many cooperatives siphon off milk to private processors, while enjoying political patronage and protection. This is akin to pilferage of Food Corporation of India stocks wherein cereals are bought by agents of the state at Minimum Support Prices, and then illegally sold to private food processors for a song.

Last, the unit economics of most Indian dairies make little sense. According to the Food and Agriculture Organisation, the global average dairy herd size is 2.4 and according to the National Dairy Development Board, Indian cows average 3 litres of yield. Mother dairy sells one litre of milk for around ₹44. Since the strength of the cooperative narrative is devolution of profits to the producer, let's assume full transfer from

consumer to producer per litre of milk sold. Feeding bovines typically accounts for 70% of the price at which milk is procured by cooperatives. This leaves the producer with around ₹100 in hand, which is also optimistic given all liberal assumptions made here.

In fact, the National Action Plan estimates monthly average producer income to be ₹516 per month! This is roughly equivalent to the daily minimum wages prescribed for unskilled workers in the National Capital Territory of Delhi. The representatives of large cooperatives defend these paltry earnings of their producers.

In 1988, during a speech at the 'Shastri Indo-Canadian Institute', Verghese Kurien stated that "there is plenty of room for competition and our only request is that it be a fair competition". Twenty years on, it seems we are still trying to grapple with this idea of fairness. Whether or not India joins the RCEP and accedes to demands from competing dairy powerhouses is almost a secondary question. We should first explore the reasons why most of the private sector is always mute in FTA discussions, why cooperatives inevitably become political, and why we are all comfortable with the average dairy farmer earning less than the cost of coffee at hotels where governments typically conduct RCEP negotiations.

India has problems that go beyond RCEP, it needs to explore why the private sector is mute in FTA discussions and why cooperatives inevitably become political

**I**NDIA'S LARGEST DAIRY cooperatives have resisted free trade agreements (FTAs) with countries such as New Zealand and trade blocs like the EU in the past, and are staunch opponents to the proposed Regional Comprehensive Economic Partnership (RCEP). The RCEP is an imminent FTA between 16 countries including India, China, Australia, New Zealand, Japan, South Korea and members of the Association of Southeast Asian Nations (ASEAN). The RCEP will cover several economic sectors, however, concerns around dairy imports are key to India's strategic calculus.

India accounts for a fifth of global milk production but holds a negligible market share of global dairy exports. Conversely, most RCEP countries are import dependent, making the com-

bined dairy market free for Indian exports, that is if the production capabilities in the country were to mature in the future. However, large dairy cooperatives in India seem to fear a narrowing of their domestic market share to high value imports from New Zealand and Australia; and, therefore, seem far from prepared to face competition in such lucrative export markets particularly China, Japan and South Korea.

India's self-sufficiency in milk production is the result of an overall focus on increasing agricultural production following Independence. 'Operation Flood' which played a catalytic role in dairy development, was akin to the Green Revolution in many ways. Input costs were indirectly controlled through state-supported cooperatives like Amul, and competing imports were banned

**T**O TACKLE THE economic slowdown, RBI has, in a phased manner, reduced the repo rate to 5.15%. With the mandated inflation target of 4%, the real repo rate stands at 1.15%. Any further cuts will hurt the interest income of depositors including the retirees. In any case, the transmission is quite weak. RBI can only make liquidity available, but cannot ensure lending. So, monetary policy has become quite ineffective. What about the fiscal policy?

The government has made a large cut in the corporate tax rate. It will lose anywhere between ₹63,000 crore to ₹1,45,000 crore of tax revenues annually. Thus, it will be hard to meet the 3.3% fiscal deficit target. If we were to refer to Reinhart and Rogoff's suggested metric deficit to tax ratio instead of the fiscal deficit to GDP ratio is far worse. The metric indicates the problem of supply of credit. But, do we have enough demand for credit?

During a slowdown the credit market is sluggish. From April-September, 2018 to April-September, 2019, the flow of funds from banks to the commercial sector has collapsed from (+) ₹1,85,083 crore to ₹1,28,760 crore, reflecting a fall of ₹3,13,843 crore. The correlation between economic slowdown and credit is clear, the causality is not. So, does low credit cause a slowdown, or is it the other way round? Let us consider both possibilities. In the first case where low credit causes a slowdown, there is an obvious reason for restoring the supply of credit so that the slowdown is tackled.

# Beyond monetary and fiscal policy

Bank denationalisation can be a solution to tackle slowdown woes

GURBACHAN SINGH

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policy. Banks despite having deposits, have limited capital. Given the Basel capital adequacy norms, they are constrained. That indicates to the problem of supply of credit. But, do we have enough demand for credit?

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causes low credit? For a given group of borrowers, the demand for credit in a slowdown is indeed less than what it was in normalcy or in times of a boom. This, however, does not imply that there is no demand or even little demand among other groups. We are all familiar with the extent to which there is a sellers' (or lenders') market in so far as credit availability is concerned. Now even if due to an economic slowdown there is less demand that does not imply there is little demand for credit. More so when the growth rate of GDP is still positive, even if it is less than 5%.

In fact, many private banks are still lending even in this phase of slowdown. But the public sector banks (PSBs) have, for a while, not been meeting that demand adequately. It can be that they were or still are capital constrained. Alternatively, they are just

unwilling to lend. I will come to the latter possibility later. Let us for the moment deal with the issue of capital constraint among the PSBs. The GOI is fiscally constrained and reluctant to recapitalise as and when banks are short of capital. For one, it encourages moral hazard in loss making PSBs. However, it has the fear that if it does not recapitalise, lending will fall and an economic slowdown will result or worsen. So, it eventually tends to give in; in the meantime, there is a slowdown! But what is the way out?

Simply put, the GOI can denationalise the PSBs—in a phased manner, transparently, at a reasonable price, and under the condition that the sale proceeds are used for 'aam aadmi'. Of course, social and macro-prudential regulation needs to be strengthened so that the objectives of social justice

and macro-financial stability can be met through appropriate regulation of banks. There are reasons to believe that the ruling party has enough control or influence in the Parliament to make suitable amendments that pave the way for denationalisation.

The general argument for denationalisation has been well articulated by others like Arvind Panagariya. But how does denationalisation help in dealing with the current slowdown or possible future slowdowns? After denationalisation, it is expected that banks will have less NPAs. They will not be every now and then short of capital, they can meet the Basel norms, and lend on a large scale. The fiscally constrained GOI will not need to recapitalise at any stage, what are now, the PSBs. It is true that this policy suggestion does not rule out the need to

recapitalise some bank(s) in an occasional major financial crisis but it does rule out somewhat regular bail-outs of PSBs.

It is true that not all PSBs are constrained by capital adequacy requirements. Some of them are not lending anyway—they are lazy or fearful. It is important to understand the meaning of fear here. What this means is that the managers are fearful that they may be penalised for taking a wrong decision, which they may take if they do not do enough home work in assessment of risk. But this is again basically a case of lazy banking, not quite fearful banking. This is true of not just some PSBs but it applies to even some private banks. How to deal with this issue?

Note that if banks are getting deposits but they are not lending adequately, they are clearly holding excess reserves or government securities. So, this is where we need to find a solution.

We are familiar with a minimum cash reserve ratio (CRR) requirement and a minimum statutory liquidity ratio (SLR) requirement. Now we need another regulation. There should be, as some others including Professor Dasgupta (Dalhousie University) had suggested, a regulation for maximum CRR and maximum SLR as well. The reason is simple. With the new regulation, banks cannot sit on too much liquid assets; they will need to lend more actively (though judiciously). This will avoid negative externalities that take the form of aggravating, if not causing, an economic slowdown.

What about shadow banking and the slowdown? That is a different story.

FACT CHECK, GROUND REALITY

## HOW MAMALLAPURAM BECAME MAHABALIPURAM, REGAINED OLD NAME

ARUN JANARDHANAN  
CHENNAI, OCTOBER 10



The Varaha Mandapam has the only link, although an indirect one, between the town and the legend of Mahabali. *Wikipedia*

THE VENUE of Prime Minister Narendra Modi's meeting with China's President Xi Jinping over Friday and Saturday has been referred to, interchangeably, Mamallapuram and Mahabalipuram. It is 56 km to the south of Chennai on the coast. The Ministry of External Affairs' media advisory mentions 'Mahabalipuram', and officials have been using that name in informal communication.

### THE PALLAVA 'MAMALLAN'

Today's seaside resort was once a bustling port that derived its name from Mamallan or 'Great Wrestler' — one of the names of Narasimhavarman I, the Pallava monarch who ruled from 630 AD to 668 AD, and who commissioned much of the architecture Mamallapuram is famous for.

### BIRTH OF 'MAHABALIPURAM'

S Swaminathan, author of *Mamallapuram*, a book on the architectural and sculptural achievements of the Pallavas, said Mamallapuram was the original name, even though the town is also called Mahabalipuram. "The name Mahabalipuram emerged much later, some time in the Vijayanagara period (14th-17th centuries). But there is nothing to directly connect the Asura King Mahabali with Mamallapuram," he said.

The only, indirect link, he added, is the legend of Trivikrama carved in stone at Mamallapuram's famous Varaha Mandapam (Varaha Cave Temple). "Mahabali was killed by Trivikrama, the giant form of Vamana, the fifth avatar of Vishnu. Maybe that is the only connection that Mahabali has with Mamallapuram. But this Trivikrama panel too is just one of the many compositions there," he said.

### BACK TO 'MAMALLAPURAM'

After Independence, the prevalent

Dravidian politics of Tamil Nadu made sure that Mamallapuram's original name was retained. 'Mamallapuram' was notified in a government gazette in 1957, and that name was reiterated when the ancient port town was declared a village panchayat in 1964. "Instead of the association with a mythological king (Mahabali), the governments here made sure that the original name in the memory of a Tamil king was restored," Swaminathan laughed.

### BEYOND MAMALLAN LEGACY

While Narasimhavarman I is credited with excavating the stone caves of Mamallapuram, it was Mahendravarmam I, Narasimhavarman's father who ruled from 600 AD to 630 AD, who was the pioneer of Pallava rock-cut architecture. The successors of Narasimhavarman I, especially his grandson Parameswaravarman I (670-695 AD) and his great grandson Narasimhavarman II (700-728 AD), continued to build in Mamallapuram. Narasimhavarman II, also known as Rajasimha Pallava, built the magnificent Shore Temple among others in Mamallapuram, as well as grand temples at several other places, including the famous Kailasanathar Temple at Kancheepuram.

SIMPLY PUT QUESTION & ANSWER

## Why dairy is RCEP sticking point

It is the industry that is lobbying the hardest to keep its products out of the free trade agreement currently under negotiation among 16 countries to India's east and north. Why is this so?

HARISH DAMODARAN  
NEW DELHI, OCTOBER 10

### What makes milk and milk products such a big deal for India?

Milk is the country's largest "crop". In 2018-19, the estimated production of milk, at 187.75 million tonnes (mt), was more than that of paddy (174.63 mt) or wheat (102.19 mt). The value of milk output (Rs 5,63,250 crore at an average farm-gate rate of Rs 30/kg) far exceeded paddy's (Rs 3,05,602 crore at a minimum support price of Rs 1,750/quintal) and wheat's (Rs 1,88,030 crore at Rs 1,840/quintal). Milk is, moreover, a source of liquidity for farmers, as it is sold daily and generates cash to take care of routine household expenses, unlike other crops that are marketed only once or twice a year.

But milk matters equally to consumers in India, because it meets the animal protein/fat requirements of a significant portion of the population that is vegetarian.

Milk, in the Indian context, is also a 'superior' food with income elasticity of demand greater than one. This means that as incomes rise, the demand for milk goes up even more. The moment families experience some upward mobility, they are likely to put *desi ghee* (butter fat) rather than *vanaspati* (vegetable fat) on their rotis.

### So, where does the RCEP come in?

Global dairy trade takes place not in milk, but in the solids that derive from it — mainly milk powder, butter/butter oil, and cheese. India isn't a major player in the world market. Till the eighties, it used to import up to 50,000-60,000 tonnes of skim milk powder and 10,000-15,000 tonnes of butter oil annually, largely channelised through the National Dairy Development Board.

Over the past couple of decades, with sustained production increases, the country has become self-sufficient, or even marginally surplus. This is evidenced by its dairy product exports surpassing imports in most years (table 1), although their values are insignificant relative to both domestic output and global trade. Further, as can be seen from table 2, one reason for India's imports being low is the high tariffs, especially on milk powder (60%) and fats (40%).

If dairy products are covered under an RCEP deal, India may have to allow members of the bloc greater access to its market, whether through phased duty reductions or more liberal tariff rate quotas (TRQs). There is an already existing TRQ for milk powder, which enables import of up to 10,000 tonnes per year at 15% customs duty, and quantities beyond that at the regular rate of 60%. The Indian dairy industry is resisting any enhanced TRQs or other import concessions, even if extended only to RCEP countries, as opposed to the US or European Union.

### Which are the major global dairy players within the RCEP group?

Only New Zealand and Australia. The two countries together exported 19,37,000 tonnes of milk powder, 5,18,000 tonnes of butter/fat and 4,94,000 tonnes of cheese in 2018, accounting for 44.5%, 58.3% and 24.8% of the world trade respectively in these commodities. New Zealand, in particular, hardly has a domestic market for dairy products. In 2018, 93.4% of its milk powder, 94.5% of its butter, and 83.6% of its cheese production was exported.

India's milk powder and butter/ghee shipments, by contrast, have barely touched 1,30,000 tonnes and 50,000 tonnes even in their best ever years of 2013-14 and 2018-19 respectively. But the country is the world's biggest market for milk and milk products — which will only grow with rising incomes and high elasticity of demand. Access to this market will obviously benefit the predominantly export-oriented dairy industry of New Zealand and Australia.

### 16 COUNTRIES, PROPOSED INTEGRATED MARKET



### 21 OF 25

In negotiations since 2013 over details of the deal that aims to reduce trade barriers, 21 chapters out of 25 finalised so far

### PARTNERS IN NEGOTIATION

#### 10 ASEAN MEMBER STATES:

Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam

#### 6 FTA PARTNERS:

China, Japan, India, South Korea, Australia, New Zealand

### INDIA'S TRADE DEFICITS WITH...

Country	Value (bn)
China	\$53.6 bn
S Korea	\$12 bn
Indonesia	\$10.6 bn
Japan	\$7.9 bn
Singapore	\$4.7 bn
Thailand	\$3 bn

### TABLE 1: INDIA'S DAIRY PRODUCTS TRADE (IN Rs CRORE)

Year	Exports	Imports
2010-11	1216.76	847.83
2011-12	647.79	1219.41
2012-13	2324.68	184.25
2013-14	4407.78	232.68
2014-15	2169.03	375.01
2015-16	1677.46	371.58
2016-17	1701.18	254.84
2017-18	1954.63	312.59
2018-19	3375.73	254.12
2018-19*	957.15	108.90
2019-20*	921.43	114.43

\*April-August

Source: Department of Commerce

### TABLE 2: INDIA'S DAIRY IMPORTS DUTY STRUCTURE

Product	Duty %	Imports (Rs cr)
Milk powder	60	8.55
Butter/fat	40	14.27
UHT milk*	30	12.69
Yogurt**	30	6.56
Cheese	30	70.85
Whey	30	85.57
Ice cream	30	24.8

\*Includes cream; \*\*Includes butter milk.

Source: Ministry of Finance and Department of Commerce

### What are the specific dairy segments that overseas suppliers would target?

India's imports primarily comprise whey products and cheese, which have limited consumer markets in the country. For all the hype, the domestic market for cheese is just Rs 1,400-1,500 crore, of which Rs 900-1,000 crore goes for industrial use (basically pizza-making), and only the balance is sold in consumer packs. There may not be too many takers for foreign ice cream or yogurt brands either.

What New Zealand and Australia would really be eyeing is the Indian market for commodities, viz. milk powder and fat. That is where the volumes are — which Malaysia and Indonesia successfully exploited in palm oil, as did Argentina and Brazil in soybean oil and Ukraine in sunflower oil.

RCEP could perhaps end up doing to dairy what the free trade agreement with the Association of Southeast Asian Nations (ASEAN) did in palm oil, fear many in the industry in India.

## Opportunity, fears in regional trade deal

PRABHA RAGHAVAN  
NEW DELHI, OCTOBER 10

COMMERCE MINISTER Piyush Goyal is in Bangkok for the eighth Regional Comprehensive Economic Partnership (RCEP) ministerial meeting, which will continue until October 12. The meeting, which is likely to be the last one at this level, is expected to work out the unresolved issues in the negotiations on the mega trade deal that is to be concluded later this year.

### What is the RCEP?

The Regional Comprehensive Economic Partnership (RCEP) is a trade deal that is currently under negotiation among 16 countries — the 10 member countries of the Association of Southeast Asian Nations (ASEAN), and the six countries with which the ASEAN bloc has free trade agreements (FTA).

The ASEAN, which includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, has FTAs with India, Australia, China, South Korea, Japan and New Zealand.

Negotiations on the details of the RCEP have been on since 2013, and all participating countries aim to finalise and sign the deal by November.

### What does the RCEP propose?

The purpose of RCEP is to create an "integrated market" spanning all 16 countries, making it easier for products and services of each of these countries to be available across this region.

ASEAN says the deal will provide "a framework aimed at lowering trade barriers and securing improved market access for goods and services for businesses in the region".

The negotiations are focussed on areas like trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, e-commerce, and small and medium enterprises.

### Why is the RCEP important?

It is billed as the "largest" regional trad-

ing agreement ever — these countries account for almost half of the world's population, contribute over a quarter of world exports, and make up around 30% of global Gross Domestic Product (the value of all goods and services produced in a year).

### How have the talks progressed?

Of the 25 chapters in the deal, 21 have been finalised. Chapters on investment, e-commerce, rules of origin, and trade remedies are yet to be settled, and ministerial guidance is being sought at the on-going meeting in Bangkok.

### How does India stand to gain?

Sections of Indian industry feel that being part of RCEP would allow the country to tap into a huge market, if the domestic industry becomes competitive. Pharmaceuticals and cotton yarn are confident of gains, and the services industry too, may have new opportunities.

### And what are the concerns?

Several industries feel India needs to be mindful of the amount of access it gives to its market. There is fear that some domestic sectors may be hit by cheaper alternatives from other RCEP countries. Apprehensions have been expressed that cheaper Chinese products would "flood" India.

Critics are also not confident that India would be able to take advantage of the deal, given its poor track record of extracting benefits from the FTAs with these countries. India's trade gap with these countries may widen if it signs the RCEP deal, they say. (See figures with map above)

Industries like dairy and steel have demanded protection. The textile industry, which has already raised concerns about growing competition from neighbouring countries with cheaper and more efficient processes, fears the deal would impact it negatively.

There are some differences within industries. The bigger players in steel, for example, are apprehensive of the potential impact on their businesses; however, makers of finished goods have argued that limiting steel supply to domestic producers through higher import duties will put them at a disadvantage.

THIS WORD MEANS

### INTERCONNECT USAGE CHARGE (IUC)

Why Jio is charging 6 paise/min for certain outgoing calls

RELIANCE JIO announced this week that its customers would now have to pay an Interconnect Usage Charge (IUC) on outgoing calls made to the networks of its rivals Airtel and Vodafone-Idea. Reliance Jio announced "IUC top-up vouchers", which will give customers certain minutes of outgoing calls.

IUC is the cost paid by one mobile telecom operator to another when the customers of the former operator make outgoing mobile calls to the customers of the other. The IUC rate used to be 14 paise per minute, but the Telecom Regulatory Authority of India (TRAI) has now fixed it at 6 paise per minute.

TRAI wants to bring IUC to zero from January 1, 2020, based on the assumption that all networks would be able to move to VoLTE, or Voice over LTE (Long Term Evolution) technology by then. Jio is an entirely VoLTE network, but Vodafone and Airtel continue to offer their legacy 2G and 3G networks as well.

Jio claims that because voice is free on the Jio network while there are high tariffs on 2G networks, customers on Airtel and Vodafone-Idea are giving missed calls to Jio customers. It claims that the Jio network receives 25 crore to 30 crore missed calls every day, presumably because callers want friends or family on Jio to call them back for free. Jio has claimed the call-backs by its customers results in 65 crore to 75 crore minutes of outgoing traffic — and it "has been compelled, most reluctantly and unavoidably, to recover (from its customers) this regulatory charge of 6 paise per minute for all off-net mobile voice calls so long as IUC charges exist".

Jio has said the 6 paise/minute charge will only apply to outgoing calls made to Vodafone-Idea and Airtel networks; not to Jio-to-Jio calls, incoming calls, calls made to landlines, or calls made using WhatsApp or other OTT platforms.

SHRUTI DHAPOLA

# A scandal, two years' Nobels, and why these authors were chosen

EXPRESS NEWS SERVICE  
NEW DELHI, OCTOBER 10

ON THURSDAY, the Swedish Academy announced the Nobel Prize in Literature for this year as well as the last, with Polish author Olga Tokarczuk winning for 2018 and the Austrian author Peter Handke for 2019. The 2018 award had been postponed for a year on account of a scandal involving the Academy's close ties with a man convicted of rape and jailed that year.

The delayed prize went to Tokarczuk "for a narrative imagination that with encyclopedic passion represents the crossing of boundaries as a form of life", the citation said. For the current year, Handke was awarded "for an influential work that with linguistic

ingenuity has explored the periphery and the specificity of human experience".

### Olga Tokarczuk

Tokarczuk, 57, one of Poland's most successful authors, has found a wider English-reading audience in recent years and won the Man Booker Prize in 2018 for *Flights*, a translation of her 2007 novel *Biegunki*. Much of her work is marked by historical/mythical settings with realistic details, and themes of conflicting cultures and perspectives. "She constructs her novels in a tension between cultural opposites; nature versus culture, reason versus madness, male versus female, home versus alienation," the Academy said on its website.

Tokarczuk studied psychology at the University of Warsaw and made her fiction



Olga Tokarczuk (left) for 2018 and Peter Handke for 2019. AP, Reuters

debut in 1993 with *Podróż ludzi Księgi* ('The Journey of the Book-People'), set in 17th century France and Spain where the characters search for a mysterious book in the Pyrenees. Her breakthrough novel *Prawiek i inne czasy*, 1996 (*Primeval and Other Times*, 2010) is again set in a mythical place, yet full

of realistic details. "Tokarczuk has claimed that the narrative was a personal attempt to come to terms with the national image of the past. The novel is an excellent example of the new Polish literature after 1989, resisting moral judgement and unwilling to represent the conscience of the nation," the Academy said.

Her *magnum opus*, *Księgi Jakubowe*, 2014 ('The Books of Jacob'), is a 900-page novel about Jacob Frank, a little-known 18th-century sect leader who upset the orthodox with his effort to unite the Jewish, Christian and Muslim creeds.

### Peter Handke

Handke, 76, published his debut novel *Die Hornissen* in 1966, dropped out of his law course at the University of Graz, and went on to write novels, essays, dramatic works and screenplays in a vast body of work spanning more than 50 years. The Academy described him as one of the most influential writers in

Europe after the Second World War.

Son of a Slovenian-minority woman in Austria and a German soldier whom he would meet only as an adult, Handke chose to "revolt against his paternal heritage, that in his case was perverted by the Nazi regime", and "chose the maternal line of heritage". He once described contemporary German literature as suffering from *beschreibungsimpotenz* (description impotence) and has "found much of his own literary inspiration within the New Novel-movement in French literature", the Academy said.

Handke, now based in France, is widely seen as sympathetic of the Serbian far right. He attended former Serbian President Slobodan Milosevic's funeral in 2006, and expressed sympathy for the Serbs in the 1990s Yugoslav wars, a subject he has also written about. The Academy acknowledged that Handke has sometimes "caused controversy" but added that "he cannot be considered an engaged writer in the sense of Sartre,

and he gives us no political programs".

### Why 2018 in 2019

The 2018 scandal followed the imprisonment for rape of Frenchman Jean-Claude Arnault, with whom the Academy has close ties. He is married to then Academy member Katarina Frostenson, who resigned. The couple ran a cultural club in Stockholm that received funding from the Academy. The scandal caused a rift among members over how to manage their ties with him — seven of them resigned — and exposed scheming, conflicts of interest, and a culture of silence.

It led to the first postponement of the Literature Nobel in 70 years. A group of Swedish cultural figures set up a substitute award, the New Academy Prize, and chose their laureate as Maryse Conde, an author from Guadeloupe. This was to show that "a winner could be chosen in an open fashion, in contrast to the Academy's secret workings", *The New York Times* reported.



## The Indian EXPRESS

FOUNDED BY  
RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

# Time to think small

With China, India must recognise power imbalance, liberate itself from prolonged illusions, false hopes



C RAJA MOHAN

## A DAY BY THE SEA

PM Modi and President Xi need to go beyond Wuhan, stabilise ties at a moment of great political churn in the global system

**A**S PRIME MINISTER Narendra Modi hosts China's President Xi Jinping at Mamallapuram on the outskirts of Chennai for a second informal summit between the two leaders, it is bound to be different from the first such engagement last year in Wuhan, Central China. For one, the sea-side pow-wow in Mamallapuram will be somewhat shorter than the lake side chat in Wuhan. President Xi Jinping will be in Mamallapuram for barely 24 hours. It is no secret that President Xi has reasons to be preoccupied, thanks to the violent turn in the persistent protests in Hong Kong, the escalating trade war with the United States, and its negative impact on the Chinese economy. More broadly, the halo of inevitability around China's rise has begun to fade a bit. If Modi went to Wuhan with an eye on the impending polls last year, he is stronger at home today having returned with a bigger majority. But Modi has problems too. He is struggling to put India back on a high growth path. His bold move on Kashmir has generated considerable international concern. While his diplomacy has managed to put a lid on it for now, Delhi is not yet out of the woods.

Both leaders, then, need to put aside some of the triumphalism that has enveloped the national sentiment in both countries, and look at stabilising bilateral ties at a moment of great political churn in the international system. If the political "spin" about the "Wuhan spirit" far exceeded the results of the first informal summit, the two sides must resist the temptation to hype up the outcomes at Mamallapuram. Instead, they ought to recognise that the problems between the two nations have gotten messier since Wuhan. None of the big issues from the perspective of Delhi — the large trade deficit in favour of China and the consequences of Beijing's deepening alliance with Islamabad — have eased. Meanwhile, the widening power gap between the two nations tilts the balance of power on the disputed boundary and in the region against India. Delhi's efforts to compensate for this imbalance through closer ties with the US, Japan and Australia rile Beijing.

When you find yourself in a hole, as the saying goes, stop digging. Modi and Xi need to reassure each other that they will not allow the relationship to slide further. Second, the two leaders must find ways to advance the dialogue on the boundary dispute. The confidence-building framework agreed at Wuhan to keep peace on the border — after the confrontation in Doklam during the summer of 2017 — must now be followed by an early harvest of practical steps on boundary settlement. Third is to explore avenues for mutually beneficial commercial cooperation. The multiple problems between India and China can't be fixed in a day at Mamallapuram. But small and pragmatic steps can restore a measure of trust between the two governments and carve out a path towards stability that both need so badly at this complex global conjuncture.

## PRIVACY RIGHTS & WRONGS

Government is seeking OTT listening posts for security reasons. But the cost to privacy would be immense

**A** YEAR AGO, the Telecom Regulatory Authority of India (TRAI) had commenced a process of consultations to bring over the top (OTT) services like WhatsApp and Telegram under "lawful interception". Now, it is reported to be ready to submit recommendations to the Department of Telecommunications. The objective of the exercise is public security, since criminals and terrorists are known to use the end-to-end encryption offered by such services to fly under the radar. Parity has always been an issue, too, since telecom providers complain that they are regulated and must respond to requests for information from governments and agencies, while the OTT sector is untrammelled. However, the most significant question remains unanswered: Is interception technologically feasible, at all?

Technology companies have always argued that end-to-end encryption is completely private between the correspondents in the conversation, since it is encrypted by a pair of security keys which their devices exchange, and which are available to no one else, not even the OTT provider. Providers are, therefore, unable to provide governments with any communications content, except metadata like the frequency of contact. The US Attorney General's request to Facebook, which owns WhatsApp, suggests that this is correct. Along with his counterparts in Australia and the UK, he has requested Mark Zuckerberg not to deploy systems which "preclude any form of access to content, even for preventing or investigating the most serious crimes." TRAI has said that it is looking at practices worldwide, but it is probably rediscovering this blank wall for itself.

Concerns about crime, terrorism and lethal mischief-making using encrypted communications are legitimate and, worldwide, pressure is developing on providers and platforms to make content available for inspection. However, privacy concerns are equally legitimate, because compromising security would degrade privacy across platforms. Blackberry, the pathbreaker in the secure communications sector, had kept a copy of encrypted communications and provided it to the governments of India, Saudi Arabia and the United Arab Emirates. As a consequence, the former smartphone giant is now an inconsequential player. Governments are asking OTT providers to go the Blackberry way, but it is insupportable. The cost to privacy, now recognised as a right, would be immense. It would open the door to situations like the NSA mass surveillance scandal. Governments should be careful what they wish for.

## SHAMAN VS STRONGMAN

An exorcism may seem an odd way to stand up against Vladimir Putin. But larger-than-life figures leave few avenues of protest

**I**T IS EASY to ridicule Aleksandr Gabyshev, or to simply cast aside his protest as an anachronistic novelty. Russia's Federal Security Service, the successor to the KGB, has even reportedly suggested that Gabyshev be committed to a psychiatric facility. The 51-year-old shaman's plan was fairly simple — to walk about 8,300 kilometres from his native Siberia to Moscow, create a large bonfire at the Red Square and feed it fermented horse milk and hair, while beating a drum and chanting. The ritual had a singular purpose — to exorcise the demons from Russian President Vladimir Putin. Gabyshev was, predictably, intercepted by Russian police and sent back to Siberia. But his articulation of despair cannot so easily be ignored.

The shaman's long march has, by most accounts, galvanised the opposition to Putin's rule. As organised opposition activity and protest has become increasingly difficult in Russia with the state cracking down on dissent, social media has become the vehicle to express disagreement. At first glance, Gabyshev's narrative, which gives an almost magical, larger-than-life status to Putin might seem at odds with his becoming a symbol on social media. But look closer and that contradiction resolves itself.

"Strong" leaders, saviours of the nation-state, encourage and deploy a mixture of pre-modern worship — an almost mystical belief in the power of one man over institutions and systems — and contemporary systems of information dissemination and surveillance to further that image. This makes them loom large, their image and stamp imprinted across social and political life. Since the institutions of state are themselves subverted to the magical charisma of the politician, the shaman may be a logical recourse for the disaffected.

THAT INDIA'S RELATIONSHIP with China is passing through a difficult moment is not hard to see, even amidst the usual hype that surrounds meetings between leaders of the two countries. The rhetoric about India and China changing the world has always masked the persistent structural problems that hobbled their ties. If managing the relationship with China has become the biggest test for Indian foreign policy, the second informal summit between Prime Minister Narendra Modi and President Xi Jinping is a good occasion to reflect on the trends in Delhi's diplomacy towards Beijing.

First is the danger of putting form above substance and betting that the higher the level of engagement, the more significant the results. The novelty of the "informal summit" that dazzled everyone when Modi traveled to Wuhan to spend two days in a relaxed setting with Xi last year has worn off. Like so many other mechanisms before it, the informal summit, too, is proving to be inadequate to cope with the range of structural tensions that have enveloped the bilateral relationship — from Kashmir to trade and multilateral challenges.

Since they sought to normalise relations more than three decades ago, when Prime Minister Rajiv Gandhi traveled to Beijing, the two sides have experimented with different mechanisms to address the basic differences. They started with a dialogue at the level of foreign secretaries in 1988, elevated it to empowered special representatives in 2003, and most recently, the informal summits. None of these have been able to resolve the boundary dispute, trade deficit and China's growing support to Pakistan in Islamabad's contestation with Delhi.

Second, the lack of enough contact at the highest levels is no longer a problem. In the 20th century it was but rare when leaders of India or China traveled to the other country. In the 21st century, the Indian Prime Minister runs often into the PM or President of China and has talks on the margins of such regional and international settings as the East Asia Summit (EAS), the Shanghai Cooperation Organisation (SCO), Conference on Interaction and Confidence-Building Measures in Asia (CICA), the Russia-India-China Forum, BRICS and the G-20. Frequency of talks has not improved the ability to re-

solve the problems facing the relationship. Third, the current difficulties between India and China are not due to lack of mutual understanding. The problem is the widening gap in the comprehensive national power of the two Asian giants. China's aggregate GDP, now at about \$14 trillion, is nearly five times larger than that of India, hovering at \$2.8 trillion. China's annual defence spending at \$250 billion is four times larger than that of India. More than the size of the spending, China has outpaced India in the much needed modernisation of its armed forces and higher defence organisation.

This power imbalance translates into an unpleasant fact on the diplomatic front. That China is under no pressure to please India. Or, more precisely, it can afford to displease India — whether it is the question of blocking India's membership of the Nuclear Suppliers Group or opposing India's Kashmir move and taking it to the UNSC. That did not change at Wuhan nor will it alter in a big way at Chennai.

Fourth, is the persistent belief in Delhi that current tensions in US-China relations might encourage Beijing to make nice to India. That expectation has turned out to be wrong. The deepening crisis in US-China relations has made little difference to Beijing's approach to Delhi. The movement has apparently been in the opposite direction.

For China, the foremost strategic priority today is to cut a deal with the US. If Xi Jinping can't fix the problem with President Donald Trump in the next year, he would hope that Trump will be defeated in the elections at the end of 2020 and his potential Democrat successor would be a lot easier to deal with in 2021. That the Chinese priority is the US should not be surprising given the scale and intensity of the stakes involved in Beijing's ties with Washington.

Delhi's overestimation of its leverage with Beijing in the triangular relationship with Washington has unfortunately meant India often chose to voluntarily limit its partnership with the US and its allies. That has not led to any strategic appreciation in Beijing of Delhi's restraint or the need for neutrality in the disputes between India and Pakistan. Viewed strictly in terms of power hierarchy, China's strategy does look logical — to keep India in play without giving up on any of its

positions of concern for India. Fifth is the long-standing presumption in Delhi that cooperation with China on global issues will create the conditions for ameliorating bilateral contentions. This turned out to be wrong on three counts. India's support to China on global issues has not led to Beijing's reciprocation on multilateral issues, such as Pakistan's cross-border terrorism, of interest to India, nor has it made it easier to resolve bilateral disputes. Worse still, grandstanding on global issues with Beijing may have made India oblivious to China's rapid regional advance in the Subcontinent and the Indian Ocean.

Finally, if there is one thing that distinguishes Modi's diplomacy from that of his predecessors, it is the appreciation of power and its centrality in international relations. When he took charge as PM, Modi seemed confident about his ability to arrive at some kind of understanding with the Chinese leadership. His expansive engagement with the Chinese during his tenure as the chief minister of Gujarat had warmed him to China.

In the last five years, much water has flowed under the bridge and has probably convinced Modi of the difficulty of persuading Xi to demonstrate any significant flexibility towards India. Delhi's new realism makes it possible to approach the challenge of China without sentimentalism or unrealistic expectations. It should also help prepare India to wrestle intelligently with a China that is in a higher weight class.

Recognising the power imbalance with Beijing should liberate Delhi from the prolonged illusions about strategic parity with China and false hopes about building a new global order with it. That, in turn, should help focus India's effort at Chennai on small and pragmatic steps to narrow differences with China on bilateral issues — especially the boundary dispute, trade deficit and the development of regional infrastructure. Thinking small might offer a long overdue corrective to India's diplomatic tradition of putting the China relationship in a grandiose framework.

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SANJAY PASWAN

## TO RESTORE DIGNITY

A constructive approach, not polemic, is needed to address Dalit concerns

LAST YEAR, IN March, India witnessed massive protests by Dalit organisations over the dilution of the Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act. The protests were a response to the Supreme Court's direction barring automatic arrests and the provision of anticipatory bail for the accused in cases of atrocities against Dalits and tribal communities. It also ruled that public servants will not be prosecuted without the approval of the appointing authority. The apex court recently overturned the verdict, acknowledging the unimaginable levels of oppression faced by the socially disadvantaged sections of the society.

The National Crime Records Bureau mentions that there is a 66 per cent increase in cases of atrocities against Dalits and tribal communities from 2007 to 2017. Looking at the Dalit issue through a political lens has caused great disservice to our cause. There is an urgent need to depoliticise the Dalit issue and analyse it from a fresh perspective. The government had the foresight to preempt the implications of the previous order. The SC's move to reinstate the previous provision also vindicates the original law.

Any Act of Parliament represents the vision of the elected representatives in whom sovereignty rests. The Prevention of Atrocities Act was premised on the objective

of the delivery of justice to marginalised communities, thereby ending social disability. The conversation on caste-based discrimination has multiple layers. With the advent of globalisation, growth and modernisation, the location of caste prejudice has also undergone a major shift. There is a glaring absence of Dalits in critical decision-making positions, both in the government and private institutions. Lack of representation automatically leads to lack of empathy and a sense of ownership. The numbers of Dalit vice chancellors and professors in academia, editors in the media and senior officers in the bureaucracy is dismally low. A Dalit, after facing persecution, is left with no alternative than to take shelter under the shadow of the Prevention of Atrocities Act.

R Vaidyanathan, a retired professor of finance at IIM, Bangalore, in his book *Caste as Social Capital*, observed that, "many consider caste as an outdated institution, but it thrives in post-liberalisation India. The establishment and running of businesses tap into caste networks, both in terms of arranging finance and providing access to [a] ready workforce". Caste has not become redundant; it has merely relocated itself. The nature of institutional support in terms of mentorship available to privileged communities is missing for Dalits.

There is a widespread conviction among the community's leaders that the assault on

the interests of Dalits has been spearheaded by the judiciary in recent times. The attitude of the higher judiciary stems from the absence of empathy. There is, unfortunately, little social diversity in the Indian judicial system.

The Supreme Court has only once seen, to my knowledge, a Dalit Chief Justice — K G Balakrishnan. Although now, with Justice BR Gavai, we hope the court will be more sensitive to the concerns of the community.

There is a need to redefine the contours of social justice in our country. More nuanced conversations on the representation of the socially vulnerable sections is needed. Industry, media and civil society should take the discussion on social diversity at leadership positions ahead. Political parties premised on social justice have lost relevance, failing to capture the imagination of young Dalits.

There are enough polemics on caste already. We need a more constructive conversation. Outdated outreach methods like coding and co-bathing will not be accepted anymore. The new Dalit seeks a permanent place at the table. I am reminded of what Martin Luther King Jr said: "Change does not roll in on the wheels of inevitability, but comes through continuous struggle."

*The writer is a professor at Patna University and BJP MLC in Bihar*



## OCTOBER 11, 1979, FORTY YEARS AGO

**NO AIR AUTONOMY**  
THE SCHEME TO confer a degree of autonomy to AIR and Doordarshan has been dropped by the government. The bill to create a corporation, "Prasar Bharati", has lapsed with the dissolution of the Lok Sabha. The Verghese Committee's report to constitute a single authority for the two separate autonomous bodies — Akashvani and Doordarshan — has been put on the shelf. A group was set up in 1977 under George Verghese, eminent journalist, to prepare a scheme to implement the poll promise. However, the government diluted the committee's recommendations before introducing the Prasar Bharati Bill in the Lok Sabha.

The explanation was that the broadcasting system had to balance the importance of public accountability and the ideal of autonomy.

**RECOGNISING ISRAEL**  
PRESIDENT JIMMY CARTER said the United States will not shift policy and recognise the Palestine Liberation Organisation until the PLO agrees that Israel has a right to exist. "We will not negotiate with the PLO. We will not recognise the PLO until after the PLO recognises Israel's right to exist," President Carter told a Washington news conference. He also said the Soviet decision to withdraw 20,000 troops and 1,000 tanks from East Germany merited careful study.

**DELHI BANDH**  
THE DELHI BANDH is unlikely to affect essential services like water supply, electricity and hospitals. The bandh call has been given by the central trade unions comprising AITUC, INTUC, HMS, BMS, UTUC and the DESU Employees Union to express solidarity with the striking textile workers. However, the civic authorities, not taking any chances, have made alternative arrangements for uninterrupted supply of water and power. The Delhi Transport Corporation authorities have made no alternative arrangements. Prohibitory orders under Section 144 have been clamped in most parts of the city.

# 15 THE IDEAS PAGE

## WHAT THE OTHERS SAY

"There are many things in the Chinese model that are worthy of emulation. But frequent executions and purges -- the horrors of the Cultural Revolution should not be forgotten -- should not be among them." —DAWN

## India, China must look to the future

They can help build a more inclusive global governance. But first, they must work past their differences



WANG HUIYAO

THIS WEEK, CHINESE President Xi Jinping and India's Prime Minister Narendra Modi will seek to reinforce Sino-Indian ties as they wander among the ancient structures of Mamallapuram. Local sites have been spruced up ahead of the summit, with roads repaved and gates repainted. However, recent events are a reminder that it will take more than a fresh lick of paint to cover cracks in the relationship between the two countries.

Since the Doklam standoff in 2017, sustained engagement between Xi and Modi has brought Beijing and Delhi closer. More work remains if both sides are to overcome the bilateral "trust deficit" that hampers deeper cooperation. If they can do this, in the long-term, China and India have the potential to help revive global governance and forge a new framework for Asian integration.

Xi and Modi's move to cultivate closer ties over the past two years has come amidst a turbulent global context. President Donald Trump's unpredictable "America First" politics has presented challenges for policymakers in Beijing and Delhi, undermining the liberal order that has benefitted both countries. However, the Sino-Indian rapprochement is much more than temporary expediency. It is also a recognition that we live in an increasingly multipolar century, one in which no country can dictate global rules or solve its challenges alone.

Asia will be central to this story. Next year, Asian economies will become larger than the rest of the world combined in PPP terms, for the first time since the 19th century. Not only is Asia growing richer, as it becomes more integrated, it is also coalescing as a constructive force for global governance. While a lack of leadership or consensus hampers badly-needed reform of global institutions, Asia has become the locus for new multilateral initiatives. This is evident in new trade pacts like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP), as well as new institutions such as the Asian Infrastructure Investment Bank (AIIB).

China and India are destined to play pivotal roles in the "Asian century." Both share interests in promoting a fairer, more inclusive form of globalisation. Together, they constitute 35 per cent of the world's population and their economies constitute 45 per cent of global growth. Jointly, China and India have the critical mass to galvanise reform of institutions such as the WTO, IMF and UN so that developing countries get more say. A robust Sino-Indian relationship would also be an anchor for regional stability, paving the way for a more integrated, prosperous Asian community.

Recent events in disputed regions reflect the challenges in fulfilling this collective promise. In particular, unresolved border issues and regional politics have left lingering suspicions between the two countries. Turning this trust deficit into a "cooperation dividend" means forging a new paradigm

for Sino-Indian relations — one that ringfences thorny issues of contention while cultivating mutual benefits. In particular, there is great scope for deeper cooperation in areas such as economy, connectivity, culture, and environmental protection.

Economically, China and India have huge complementarities given their strengths in manufacturing and services, respectively. IT is another promising area for collaboration — China is a leading investor in AI and quantum communications, while India is a world-leader in software outsourcing and IT consulting. These synergies could be unlocked through deeper cooperation in trade and investment. To this end, China and India should redouble efforts to complete the RCEP. This free trade agreement would not only boost economic ties between China and India; it would also be a gamechanger for integration in Asia.

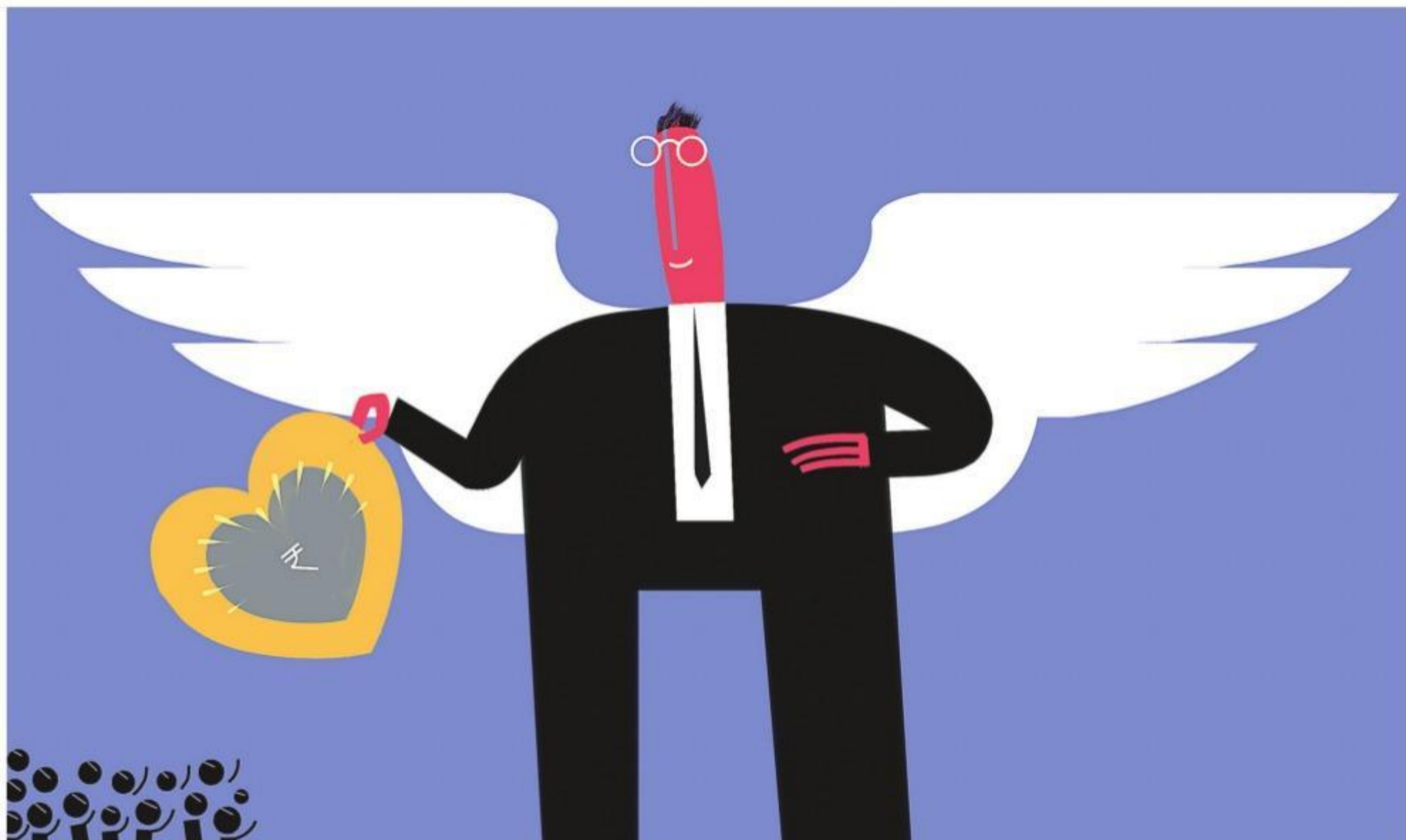
Connectivity cooperation between China and India would further catalyse this integration process, helping to cut transport costs and spur trade. Delhi retains reservations about the Belt and Road Initiative (BRI). However, if carried out in an open, consultative manner, connectivity initiatives by China and India should be seen as complementary, not competing. To enhance trust and facilitate genuine participation by all stakeholders, China should take concrete steps to multilateralise the BRI. The AIIB, of which India is the largest recipient to date, offers a useful model. For example, establishing a BRI International Cooperation Committee would enable active involvement by all countries, including India, if and when it is willing.

Alongside the movement of goods and capital, flows of people are a vital component of Asia's integration. Inter-Asian tourism and talent flows are booming. However, cultural ties between China and India remain thinner than might be expected. Just a tiny fraction of the millions of Chinese and Indian tourists and students going abroad is between the two countries. More can be done to build friendships between Chinese and Indians, such as improving visa processes and creating programmes for talent and academic exchange.

The last area to highlight — arguably the most important for long-term cooperation — is environmental protection. As the most populous countries on earth, joint efforts between China and India will be crucial to tackle environmental challenges like climate change. The destinies of China and India are inextricably linked through a shared atmosphere, water resources, and the Himalayan ecology. Both countries face ecological crises. But together, they can provide new impetus for environmental governance, promoting solutions that balance sustainability and development.

The Xi-Modi summit will no doubt be peppered with references to ancient ties between China and India's great civilisations. But the two leaders should focus firmly on the future if they are to lay the foundations for a lasting bilateral relationship. Over the coming century, cooperation between China and India can play a crucial role in reviving multilateralism and building a more united Asia. The obstacles which must be overcome to achieve this are truly Himalayan. Yet, the potential gains are even greater.

The writer is founder and president, Center for China and Globalization (CCG), a non-governmental think tank in China



C.R. Sasikumar

## The privilege of wealth

Mahatma's idea of the rich as trustees can make an effective and sustainable difference



AZIM PREMJI

IT WAS MAHATMA GANDHI who, after my mother, most strongly influenced my thinking and actions on what I should do with the privilege of my wealth. My mother was one of the founder members of a charitable orthopaedic hospital for disabled children — one of the first in the country after Independence — which she ran for 50 years as the executive chairperson. I observed, through my childhood, what it took to do that, and the difference it made in the lives of people.

The Mahatma's idea that the wealthy must be trustees of their wealth for the larger good of the people has resonated with me from much before I became a wealthy man. To quote him, "supposing I have come by a fair amount of wealth — either by way of legacy, or by means of trade and industry — I must know that all that wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community."

There are multiple quintessentially Gandhian views and ideas embedded in the idea of trusteeship. The first is a clear-eyed understanding of the reality that the enormous inequities of wealth, while unacceptable, are not illegitimate. This is a positive approach. It does not put those with wealth in the dock just for the possession of wealth, unlike a few other economic ideologies. Second, it is clear and definitive that wealth and resources, irrespective of who "owns" these, must help with the betterment of society and all its people. Third, it puts the onus

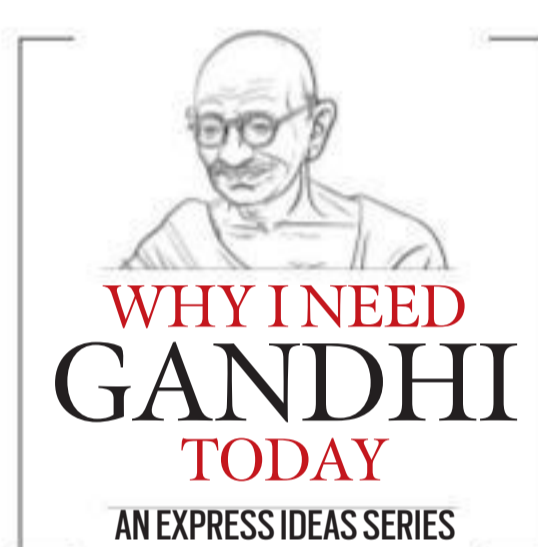
of making this happen on those who have wealth. This is a direct manifestation of his philosophy of non-violence — the wealthy must do it of their own accord, unforced by external pressure. Fourth, it puts faith in human nature, that eventually people will do the right thing, if you trust them.

Unsurprisingly, many people will be sceptical of the effectiveness of this approach to build an egalitarian society. And that would be for good reason. But I believe that over the long term, in the reality of the world we live in, this approach will be more sustainably effective.

In addition to the idea of trusteeship, I think business and industry leaders can learn a lot more from the life of the Mahatma. Let us take just one aspect, which I will call "moral leadership". How is it that this man could sway and influence hundreds of millions of people to action, while holding no formal power over them? Part of the answer lies in the Mahatma's moral leadership which millions followed, not requiring any power to sway them. This moral leadership was a result of three interlinked aspects of his behaviour.

First, was his relentless and uncompromising pursuit of truth. His own discomfort never deterred him, neither did fear. Discovering new aspects of truth that challenged his previous beliefs, he was ever ready to change his mind and had the courage to share this journey of learning publicly. It takes a truly great man to openly accept that he was wrong and to stand corrected.

Second, was the importance he gave to means over ends. We have witnessed this again and again through his life, that even the most cherished end of "purna swaraj" could not justify means that were at odds with the Mahatma's unshakeable belief in non-violence. The suspension of the non-cooperation movement after the incident at Chaura Chauri is perhaps the most well known of these, and is controversial too. However, it did cement the public understanding of the importance of his approach, the importance



There are multiple quintessentially Gandhian views and ideas embedded in the idea of trusteeship. The first is a clear-eyed understanding of the reality that the enormous inequities of wealth, while unacceptable, are not illegitimate. This is a positive approach. It does not put those with wealth in the dock just for the possession of wealth unlike a few other economic ideologies. Second, it is clear and definitive that wealth and resources, irrespective of who 'owns' these, must help with the betterment of society and all its people. Third, it puts the onus of making this happen on those who have wealth.

of ethics, of weighing means over ends, and of doing the right thing the right way, always.

Third, was, quite simply, his innate empathy and humaneness. His devotion to the weak and poor is too well known to bear any repetition. His efforts to unite India, cutting across every category of people possible, was one his three great quests. But even more telling was his ability and commitment to see and draw the best from even his adversaries. At the core of all this was his empathy towards all — not only to all fellow human beings, but also to animals and nature, to all that emanated from the universal life force.

With this trinity of the pursuit of truth, the importance of means over ends, and empathy for all living matter embodied in his person, and lived every day in the public eye, he did not need any other power over people, for it was this that gave him moral leadership. The people saw in him a beacon, an ideal, and a leader whom they were inspired to follow. Those of us who are privileged to be in leadership roles will realise that the power of position diminishes with time, whereas moral leadership endures.

There are some words of timeless truth whose power only increases every time they are repeated because they are an invocation of moral leadership. Let me end this brief personal tribute to the Mahatma with his own oft-repeated words: "I will give you a talisman. Whenever you are in doubt or when the self becomes too much with you, apply the following test. Recall the face of the poorest and the weakest man (woman) whom you may have seen, and ask yourself if the step you contemplate is going to be of any use to him or her. Will he or she gain anything by it? Will it restore him (her) to control over his (her) own life and destiny? In other words, will it lead to swaraj for the hungry and spiritually starving millions? Then you will find your doubts and your self melt away"

The writer is founder chairman Wipro Limited



VIKSIT GAUR AND AKRITI GAUR

## Too many cooks

On AI, various government agencies have conflicting and confusing strategies

TO BE A \$5-trillion economy by 2025, India needs to build a cohesive national strategy around artificial intelligence (AI). While the government has been vocal about its intention to mainstream AI applications for social good, and ensure that AI research in India keeps pace with global developments, there is little evidence to show that even the basic building blocks to achieve this have been put in place.

Multiple calls taken by various governmental agencies have led to seemingly independent and often confusing strategies, resulting in conflict and a very real danger of ineffective execution. Till date, the Ministry of Electronics and Information Technology (MEITY), the Department of Industrial Policy and Promotion (DIPP), and the Niti Aayog have all released national strategy documents, each of them containing recommendations on governing structures, policy, as well as proposals on creation of new agencies. Surprisingly — and worryingly — there is no mention of how (and if) these structures will co-exist towards the goal of a unified AI strategy for the country.

For instance, the Niti Aayog's "National Strategy for AI" report allocates a budget of Rs 7,500 crore and recommends setting up

Centers for Research Excellence (COREs) in conjunction with academic institutions. It also recommends setting up International Centers for Transformational AI (ICTAIs) in association with leading industry players. It falls short, however, of clearly recommending the governance framework under which this should happen. The DIPP is next, with a budget of Rs 1,200 crore towards setting up the National AI Mission (N-AIM). The N-AIM is supposed to be the nodal agency for all "AI related activities" in India which will also set up their own "centers of excellence" to promote interdisciplinary research, and assess the performance of various AI-based products in India.

The MEITY on the other hand plans to allocate a Rs 400-crore budget for new technology initiatives as part of the Digital India Programme, including working with the Digital India Corporation to set up yet another apex body for AI called the National Center for Artificial Intelligence (NCAI). While details on this are sparse, it has recently emerged that the ministry is at loggerheads with the Niti Aayog in terms of who ought to ultimately spearhead this movement. While the Union finance ministry appears to have weighed in to resolve the tussle,

the final policy call on who gets to lead the charge is shrouded in controversy and uncertainty.

Moreover, sector-specific AI applications, as diverse as facial recognition and crop classification, are being supervised by different state and central-level ministries with seemingly no consolidation around these national AI strategies. This can lead to fragmented adoption of technology, duplication of effort, and a wasteful use of financial resources.

While it is clear that India is heading in a direction where both the private and public sectors are unified in their commitment to promote and upscale AI, most of these commitments have been made on paper, in budget speeches, proposals and heavily researched reports. In fact, none of the recommendations highlighted earlier have yet been implemented in any useful form — this is in stark contrast to countries like Taiwan, which went from announcing a \$36-million project to build a supercomputing platform to boost AI research in June 2018, to launching the National Public Cloud Computing platform, based on the Taiwan 2 supercomputer, in June 2019.

It is important that policy-makers and agencies converge their ideas around the

groundwork that has been laid to streamline the effective creation and implementation of the country's national AI strategy. There is also a need for greater transparency in the timelines and roadmaps associated with these announcements, so that startups, non-governmental organisations and researchers can not only provide their input, but also understand when they can use some of this promised infrastructure if they are to compete at the international level.

Ultimately, India's AI strategy narrative needs to change from being a reactionary step to "counter the charge" of countries like China, to a proactive one where policies and infrastructure made in the country serve as "a beacon of inspiration" to other countries that are further behind. As the DIPP policy recognises, "people, process and technology" are non-negotiable for AI to proliferate in India, but in the absence of the first two, much will still left to be achieved in the third.

Viksiti Gaur is an entrepreneur based in San Francisco with an engineering background in artificial intelligence and Akriti Gaur is a lawyer working on issues at the intersection of law and technology in India. Views are personal

## LETTERS TO THE EDITOR

### THEY DO SPEND

THIS REFERS TO the article, 'Just blame it on millennials', (IE, October 10). The spending priorities of the millennials are different from that of the earlier generations. They do not like to invest in real estate or automobiles unless there is a dire need. But millennials are also known to spend on a range of products and services. India, in fact, could realise the visible benefit of the economic reforms only after the first batch of millennials entered the job market.

Sudip Kumar Dey, Kolkata

THIS REFERS TO the article, 'Just blame it on the millennials' (IE, October 10). Since less than 5 per cent of the workforce has the necessary formal training, skill development is the need of the hour. Programmes such as the Pradhan Mantri Kaushal Vikas Yojana should also assess employment opportunities for the skilled youth.

Arpita Mary Abraham, Faridabad

### DENYING A CM

THIS REFERS TO the editorial, 'Denying Denmark' (IE, October 10). It is incomprehensible that the CM of a state has to seek permission from Centre for an official visit overseas. The Centre refus-

### 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

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ing the Delhi to visit Denmark is equally unacceptable. The CM who has a mandate to run a state cannot take the call to attend an official seminar outside the country. It is akin to treating the CM of a state like a kindergarten student.

Deepak Singhal, Chennai







## वक्त का तकाजा

कश्मीर के संदर्भ में चीन के ताजा रुख पर भारत की तुरंत और तीखी प्रतिक्रिया स्वाभाविक है और इससे चीन के साथ-साथ पाकिस्तान को भी समझने की जरूरत है कि किसी भी देश के संप्रभु क्षेत्र की समस्याओं को अनावश्यक विस्तार देने से नई जटिलताएं खड़ी होती हैं। पाकिस्तान और चीन के बीच संबंध कैसे होंगे, इसके बारे में वही दोनों देश तय करेंगे। लेकिन जरूरत इस बात की है कि किसी अन्य देश के आंतरिक मामलों में गैरजरूरी तरीके से हस्तक्षेप से बचा जाए। चीन के राष्ट्रपति शी जिनफिंग के ताजा भारत दौरे के लिहाज से देखें तो बेजिंग में पाकिस्तान और चीन की बैठक में कश्मीर मुद्दे को लेकर जताई गई चिंता के लिए जगह नहीं होनी चाहिए थी, क्योंकि भारत अपनी स्थितियों से निपटने में पूरी तरह सक्षम है। फिर भी चीन के सरकारी मीडिया के मुताबिक यह खबर आई कि पाकिस्तान के प्रधानमंत्री के साथ बैठक में चीनी राष्ट्रपति ने कश्मीर में स्थिति की निगरानी करने की बात कही और उम्मीद जताई कि ‘संबद्ध पक्ष’ शांतिपूर्ण वार्ता के जरिए मुद्दे का हल कर सकते हैं।

सवाल है कि जब भारत ने दुनिया के सामने यह साफतौर पर कहा है कि अपने संप्रभु क्षेत्र की स्थितियों को वह खुद ठीक कर सकता है और इसमें किसी अन्य की भूमिका नहीं है, उसके बावजूद चीन को इस तरह की बेमानी रुचि दर्शाने की जरूरत क्यों पड़ी! स्वाभाविक ही भारत की ओर से यह कड़ी प्रतिक्रिया आई कि इस मुद्दे पर नई दिल्ली के रुख से बेजिंग ‘ अच्छी तरह से अवगत’ है और हमारे आंतरिक मामलों पर अन्य देश टिप्पणी न करें। वैश्विक तकाजों के मुताबिक देखें तो एक संप्रभु देश को दूसरे की संप्रभुता का सम्मान करना चाहिए, उसके बाद ही उसे अपने लिए ऐसे रुख की उम्मीद करनी चाहिए। लेकिन कश्मीर के बहाने से पाकिस्तान ने लंबे समय से जिस तरह का रुख अपनाया हुआ है, उसे उचित नहीं कहा जा सकता। यों दुनिया के तमाम देशों को यह जानकारी होगी कि कश्मीर भारत का हिस्सा है तो इस मामले में किसी तीसरे को अपनी ओर से दखल देने की जरूरत नहीं है। लेकिन किसी भी अंतरराष्ट्रीय मंच पर या दूसरे देशों में मौका मिलते ही पाकिस्तान कश्मीर मुद्दे को विवादित बना कर पेश करने से नहीं चूकता है। उसकी ऐसी ही कोशिशों का नतीजा है कि कई बार कुछ देश कश्मीर के मसले पर भ्रमित हो जाते हैं।

यह संभव है कि हाल ही में पाकिस्तान के प्रधानमंत्री के चीन दौरे में कुछ ऐसी बातें हुई हों, जिसके चलते चीन ने कश्मीर मामले में एक उलटाना हुआ रुख सामने रखा। हालांकि पड़ोसी देश होने के नाते उससे यह उम्मीद की जाती है कि वह भारत की वास्तविकता और तकाजों को समझेगा और उसी के मुताबिक अपनी स्थिति साफ रखेगा। लेकिन विडंबना यह है कि पाकिस्तान से संबंध निभाने के क्रम में अगर वह भारतीय सीमाक्षेत्र की बुनियादी समस्याओं की अनदेखी करता है तो यह स्थितियों को जटिल ही बनाएगा। भारत ने कश्मीर के संबंध में कोई अहम फैसला किया और वहां के लोगों को इससे आपत्ति नहीं है, तो पाकिस्तान को चिंता जताने की जरूरत आखिर क्यों है? संयुक्त राष्ट्र में या फिर अमेरिका और चीन आदि के सामने इस समस्या को उलझाने की उसकी कोशिश से कोई सकारात्मक नतीजे नहीं आने वाले। फिर चीन की यह कोशिश होनी चाहिए कि पाकिस्तान से इतर वह भारत के साथ अलग-अलग स्तर पर अपने संबंधों को नया आयाम दे।

## अब पलटी

जब से जम्मू-कश्मीर से अनुच्छेद तीन सौ सत्तर हटा है, कांग्रेस लगातार सरकार का विरोध कर रही है। मगर वह ऊपर से यह भी दिखाने का प्रयास करती रही है कि लोकतंत्र में उसका पूरा भरोसा है। यही वजह है कि जब वहां ब्लाक विकास परिषद पर एनडीए के चुनाव की घोषणा हुई तो उसने उसमें हिस्सा लेने का एलान कर दिया। मगर अब उसने इन चुनावों का बहिष्कार करने का फैसला किया है। उसका तर्क है कि सरकार लगातार उसके नेताओं को नजरबंदी में रखे हुई है और उन पर तरह-तरह की पाबंदियां लगा कर परेशान कर रही है, इसलिए वह बीडीसी चुनावों का बहिष्कार करेगी। उसका कहना है कि नजरबंदी के चलते उसके नेता चुनाव की अपेक्षित तैयारी नहीं कर पाए, सरकार ने इरादतन ऐसा किया ताकि उसकी पार्टी चुनाव जीत जाए। गौरतलब है कि जब बीडीसी चुनावों की घोषणा हुई थी, तो कांग्रेस ने पैथर्स पार्टी के साथ मिल कर चुनाव मैदान में उतरने का फैसला किया था। हैरानी की बात है कि तब उसे ऐसा नहीं लगा कि उसके नेता अपेक्षित तैयारी नहीं कर पाए हैं। अगर वास्तव में उसे नजरबंदी पर एतराज था तो वह अपने उस मुद्दे पर अड़ी रहती। यह क्या कि लोकतांत्रिक भी दिखना चाहती है और चुनावों का विरोध भी कर रही है।

जब जम्मू-कश्मीर का विशेष दर्जा समाप्त किया गया, तो घाटी में अशांति की आशंका के मद्देनजर कर्फ्यू लगा दिया गया। राजनेताओं के राजनीतिक गतिविधियों में हिस्सा लेने पर पाबंदी लगा दी गई। कई विपक्षी नेताओं को उनके घर में ही रखा गया। जब यह स्थिति लंबी खिंचने लगी तो विपक्षी दलों ने शोर मचाना शुरू किया कि इस तरह घाटी के लोगों के मौलिक अधिकारों का हनन किया जा रहा है। इससे संबंधित शिकायतें अंतरराष्ट्रीय मंचों पर भी पहुंची। हालांकि उन शिकायतों का कोई उल्लेखनीय असर नहीं हुआ। फिर केंद्र ने स्थितियों को देखते हुए चरणबद्ध तरीके से कर्फ्यू में ढील देनी शुरू की, विपक्षी नेताओं पर से पाबंदियां हटानी शुरू कर दी। पहले जम्मू संभाग के नेताओं को मुक्त किया गया, फिर कश्मीरी नेताओं पर से कुछ पाबंदियां हटाई गईं, जिसके तहत नेशनल कांग्रेस के नेता आपस में मिल कर विचार-विमर्श भी कर चुके हैं। धीरे-धीरे जनजीवन सामान्य हो रहा है। दुकानें खुलने लगी हैं, लोग दफ्तर लौटने लगे हैं, स्कूल खुलने लगे हैं। इस तरह मौलिक अधिकारों के दमन की बात काफी हद तक बेमानी नजर आने लगी है। फिर भी कांग्रेस की चुनावों में हिस्सा न लेने की घोषणा हैरान करने वाली है।

सरकार की नीतियों, उसके फैसलों पर असहमित दर्ज कराना विपक्षी दलों का धर्म है, पर चुनावों में हिस्सा न लेने का उनका फैसला एक तरह से उनके लोकतंत्र में अविश्वास की ही रेखांकित करता है। विशेष दर्जा हटने के बाद यह जम्मू-कश्मीर में पहला चुनाव है। इससे न सिर्फ लोगों को अपने मताधिकार का प्रयोग करने का मौका मिल रहा है, बल्कि इससे उनके भरोसे को भी बढ़ाने में मदद मिलेगी। लिहाजा, सभी राजनीतिक दलों से स्वाभाविक अपेक्षा की जाती है कि ऐसे नाजुक मसलों पर एकजुटता जाहिर करें। फिलहाल कश्मीरी लोगों का हौसला बढ़ाने का समय है। इसके लिए जरूरी है कि लोकतांत्रिक प्रक्रिया को बहाल किया जाए। यह तभी संभव है, जब अपने राजनीतिक स्वायेंों को अलग रख कर मुख्यधारा की सभी पार्टियां चुनावों में शिरकत करें। कांग्रेस के ताजा फैसले से उसमें अवरोध ही उत्पन्न होगा।

## कल्पमेधा

**हमारी रुचि जीवन की कसौटी है और हमारी इंसानियत की पहचान।**

**- रसिकन**

## जनसत्ता

## विवेक ओझा

**उभरती हुई बाजार अर्थव्यवस्थाओं और विकासशील देशों के हित में भारत-चीन के नेतृत्व में एनडीबी ने हाल में कुछ बड़े फैसले किए हैं। इस साल अगस्त में बैंक ने डॉलर के बजाय स्थानीय मुद्रा में कर्ज देने का निर्णय किया है। एनडीबी के अध्यक्ष ने हाल में कहा भी था कि निकट भविष्य में इस बैंक की पचास फीसद परियोजनाओं को पैसा स्थानीय मुद्रा में दिया जाएगा। इससे अमेरिका सहित यूरोपीय देशों के समक्ष यह संदेश जाएगा कि विकासशील देश भी अपने आर्थिक हितों के लिए सक्रिय हैं।**

## विकासशील देश भी अपने आर्थिक हितों के लिए सक्रिय हैं।

हाल में भारत और ब्रिक्स बैंक, जिसे अब न्यू डवलपमेंट बैंक (एनडीबी) कहते हैं, की संयुक्त कार्यशाला दिल्ली में हुई थी। इसका उद्देश्य भारत के सार्वजनिक और निजी क्षेत्र को एनडीबी से अधिक से अधिक जुड़ाव का अवसर देना था, ताकि विकास के लिए वित्तीय सहयोग को बढ़ावा दिया जा सके। यह एक महत्वपूर्ण पहल इसलिए मानी जा रही है क्योंकि विकासशील देशों में विकास कार्यक्रमों को बढ़ावा देने के लिए वित्तीय जरूरतों को पूरा करना जरूरी हो गया है। इसके कुछ ही समय बाद आंध्र प्रदेश की ढांचागत क्षेत्र की परियोजनाओं के लिए ब्रिक्स बैंक ने चौंसठ करोड़ साठ लाख डॉलर के कर्ज को मंजूरी दी। इससे राज्य में सड़कों का जाल तैयार किया जाएगा। गौरतलब है कि वर्ष 2000 में अपनाए गए आठ सहस्त्राब्दि विकास लक्ष्यों का आठवां प्रमुख लक्ष्य विकास के लिए वैश्विक साझेदारी था। वर्ष 2002 में मेक्सिको के मोंटेरी में

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# क्षेत्रीय विकास की रणनीति

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शुरू हुआ और 2014 में ब्राजील में छठे सम्मेलन में इसकी स्थापना के लिए सदस्य देशों ने करार पर हस्ताक्षर किए थे। इस प्रकार ब्राजील उद्योषोषणा के साथ ही औपचारिक और आधिकारिक स्तर पर इस बैंक के गठन की घोषणा हुई। इस उद्योषोषा में साफ किया गया कि यह वैश्विक स्तर के बहुपक्षीय और क्षेत्रीय वित्तीय संस्थाओं के विकासात्मक कार्यों में सहयोगी और अनुपूरक का काम करेगा। इस प्रकार यह विश्व बैंक, अंतरराष्ट्रीय मुद्रा कोष जैसी संस्थाओं को प्रतिहंदी मानने वाला बैंक नहीं है। सात जुलाई, 2015 को रूस में ब्रिक्स के सम्मेलन में एनडीबी एक वैधानिक इकाई के रूप में अस्तित्व में आ गया था। इसका मुख्यालय चीन के औद्योगिक शहर शंघाई में रखा गया है। आज यह सौ अरब डॉलर पूंजी वाला बैंक है।

न्यू डवलपमेंट बैंक एक आज एक अंतराष्ट्रीय

एनडीबी बैंक, न्यू डवलपमेंट बैंक, एनडीबी बैंक

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