The broom is mightier than the camera

How a village clean-up programme by an NGO gave a facelift to the area in and around Jim Corbett National Park

OUT OF THE BLUE

ANJULI BHARGAVA

If you eat a packet of chips, what will you do with the empty packet?" asks Pawan, a coordinator of the Waste Warriors programme, during a workshop at the Sunderkhal Government Junior High School in Corbett area of Nainital district.

A gaggle of around 50 students pipe up and answers in Hindi in unison. "We'll put the packet into our bag and put it in the right trash bag at home for collection". A couple of kids look confused but, for the most part, they all have the same, clear reply.

Pawan then opens a massive bag and starts to pull out items. He holds each item up, asking the children to identify if the item constitutes wet, dry, medical or electronic waste and segregates them into four piles. He asks them how long each item takes to biodegrade and be one with Mother Earth. Nine hundred and sixty years, 350 years, 200 years and so on, the children pipe up again. The 11-14 year olds are able to answer almost everything most adults, including me, cannot.Three benevolent looking, rotund gentleman seated on chairs — presumably the heads of school — look upon the students proudly from a corner, encouraging them to participate and offering them a "shabaash" as a reward as and when due.

After around 45 minutes of a well delivered, engaging and, at times, humorous lesson on waste, the children are divided into three groups. The youngest group plays a board game focused on solid waste management. The other two groups are lined up, made to wear gloves and handed litter pickers. The children scamper away giggling and excited. Within a few minutes, they reappear, thrilled with their pickings. They deliver before Pawan and his team, kilograms of PET bottles, plastic, banana peels and other icky looking items with oohs and yucks, each claiming to have done better than his or her peers. If only some of their sincerity and enthusiasm could rub off on the safai karamcharis of the municipalities or even the political leaders and bureaucrats who routinely have their photographs printed in newspapers, broom in hand, hoping their boss will notice the next morning, I think to myself.

I learn from the Waste Warriors team that what I witnessed was the regular "Children's Day" programme that they conduct in 78 schools in the area and reach around 8,500 children annually. Workshops are usually conducted two or even three times a year in the schools by teams trained by them. Children in and around the Corbett landscape are better informed than those in most cities. In fact, they are better informed than most educated adults in many cities.

This incidentally is only one part of the clean up exercise Waste Warriors has undertaken in the Corbett region of Uttarakhand, the area that attracts among the highest number of annual tourists in the state after Haridwar, Rishikesh and Nainital.

Before I reach the school, I accompany two ladies from the Ringora self-help group who undertake door-to-door collection of segregated waste in the Gebua Khempur village. We visit and collect waste (no wet waste is usually collected in these areas as it is fed to their livestock) in over 25 houses. These are members who have agreed to segregate and pay between ₹30 and ₹50 as a monthly user fee for the service. Twenty ladies in the community have been trained in the self-help groups and they rotate and take turns to do the job. They are paid a daily rate for their efforts. The collected waste is transported to larger warehouses rented by the NGO and is later disposed off in the best possible manner. The exercise is, however, currently miniscule in scope since only 15 villages in the area are covered. In many villages, the collection is financed through funds raised by the NGO from donors who support them.

The job of NGOs such as Waste Warriors and a few others operating in the area is usually made not easier but harder by park officials, municipal bodies and the powers-that-be whenever possible. A few years ago, a well intentioned director of the reserve had roped in a few NGOs to help clean up within the park but the effort, funds and intention is often limited to the tenure of the official concerned.

I happen to visit at the worst possible time. It's the off-season (the park is closed), the sun is unrelenting and the temperature and humidity are at their peak. I find the outside periphery of the Corbett reserve reasonably litter-free. When I mention this to those who accompany me, they advise that I visit again once the park is open. Seeing, they say, is actually believing.

PS: A related video is available on www.business-standard.com

CHINESE WHISPERS

Winner takes all

The relentless squabbling in the Opposition camp in Uttar Pradesh has provided the much-needed breather to Chief Minister Adityanath (*pictured*), who today ranks among the star campaigners of the Bharatiya Janata Party. His government is so confident of victory in the coming bypolls to 11 Assembly seats that he hasn't begun canvassing in these constituencies yet, although he has been campaigning arduously for the saffron party in poll-bound Maharashtra and Haryana. After wrapping up his election rallies in the two states, the chief minister will finally kick-start his campaign in UP on Tuesday with 11 rallies spread over three days. The state BJP leadership has proclaimed it would wrest all the 11 seats as a dispirited Opposition appears to have reconciled to the idea of a complete rout.

Tatkal at work

Shares of IRCTC more than doubled on their stock market debut on Monday. A large number of investors who failed to get an allotment during the IPO, which was subscribed 111 times, bought the shares of the online railway-ticketing company. One stock broker likened the dash for shares to booking tatkal tickets. "Given its monopoly status and the tremendous potential offered by internet companies, several investors thought it was prudent to board the IRCTC train even if that meant buying tickets paying the tatkal premium," he said.

Not high, just dry

A Delhi government order directing hotels and restaurants to throw away alcohol lying in the bar for more than eight days has created a supply crunch at the capital's Indira Gandhi International Airport (IGIA) since late August, when it was issued, and pinched customers hard during the recent Durga puja-Dusshera festivities. Sources at IGI — including some bar and lounge owners who operate in the three IGIA terminals — said that traditionally, footfall goes up during the festival season and with passengers in vacation mode, alcohol sales also see a spike. However, things are different this year. Thanks to the order, they have not been able to hold stock for long, and because of the lengthy procedures involved, replenishment has been slow — so much so that some popular brands are not available for days together. "Try explaining that to a passenger…" rued a retailer. With Diwali less than a fortnight away, these outlets are dreading round two of the crunch.

India's economy suffers a perception problem

WEF's latest global competitiveness report shows that the global business community's opinions are often at variance with the facts

SUBHOMOY BHATTACHARJEE

There are some surprising ranks in the *Global Competitiveness Report, 2019*, released by the World Economic Forum (WEF) last week. On perceived market dominance by a company over a country, WEF ranks Saudi Arabia 17 notches better than India — despite Riyadh being a one-trick pony with Aramco which generates almost 90 per cent of the kingdom's income. Or Malaysia at nine despite Petronas, which accounts for 30 per cent of government revenue (a higher rank denotes less dominance by a company or a industrial group over the economy). There are some more, such as the same dismal rank for India's insolvency regime which is, surprisingly, on a par with Singapore. Albania far outshines these economies, it seems.

Still, such inconsistencies aside, the annual report published by the WEF since 1979 shows the global business community has a clear perception problem with the Indian economy. This carries a risk for the economy in its effort to draw in skittish global capital. Improvements on the ground often are not reflected adequately in corporate boardrooms when they evaluate investment destinations. India's reform story seems to be a bits and parts story, like the country's Olympic Games contingents. In no sector is the economy seen to be playing like a global leader, and there are plenty of fields with no-hopers.

The report has ranked India overall at 68 among the 141 countries, a dip of 10 ranks from 2018. The fall is partly because "of a relatively small decline in score (61.4, -0.7 points), but also, and more significantly, the progress made by several countries ranked close to India," it notes.

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

A closer look shows why India has dipped. Of the 103 indicators to track the economies included in the report, 47, accounting for 30 per cent of the overall, are derived from the World Economic *Forum's Executive Opinion Survey*. There is a questionnaire administered to approximately 15,000 business executives worldwide with the help of 150 partner institutes.

Based on the business leaders' responses and another set of scores generated from data sets such as those of the World Bank, a detailed score sheet is prepared. Those scores are clubbed into 12 pillars: Institutions, infrastructure, macroeconomic stability, labour and product markets, education, skills and innovation capability, among others. The numbers for India show that among business people, the perception is either mediocre or, at best, somewhere in the middle of the pack.

India's scores on all the 103 indicators can thus be bunched into three types. They are the worst in pillars like health and labour. They are indifferent even when there have been reforms but have not kept pace with what has happened in the rest of the world such as insolvency and capacity-building. The only bright spots are in infrastructure and environment issues. But here, too, perception often trails performance. For instance, the index ranks India very high on airport connectivity at fourth position globally. But on the perceived efficiency of air transport services in India is 59th. The question was, "In your country, how efficient (i.e. frequency, punctuality, speed, price) are air transport services?"

Similarly for shipping services India ranks 25th among the nations. But when quizzed about the efficiency of seaport services, the rank dips to 49. The quality of India's transport infrastructure is ranked 28th, behind only the developed nations. It could have been far better if the perceptions had improved. Shyamal Mukherjee, Chairman (India), Pricewaterhouse-Coopers, agrees. "Quite a few of the changes made in the business policies need to get a wider audience," he told *Business Standard*.

VARIABLE VIEWS

	Rank
Enabling environment	**80**
a) Perception survey — crime	91
b) Homicide rate	81
Transparency	**66**
a) Perception survey — judicial	51
b) Budget transparency	41
Corporate governance	**15**
a) Perception survey — audit standards	67
b)Shareholder governance	2
Government adaptablity	**31**
a) Perception survey — policy stability	42

Source: WEF

India is losing the perception battle even in areas in which it has supposed strengths. On judiciary, for instance, on the question, "In your country, how independent is the judicial system from influences of the government, individuals, or companies?" respondents have ranked India at 51 behind China at 47. Malaysia is at 29 and Qatar at 23.

Equally striking is the perceptional score for the strength of auditing and accounting standards. India ranks 67, behind Zimbabwe, a basket case for global audit standards. No surprise, then, that in response to the survey question "In your country, how competitive are the provision of professional services (legal services, accounting, engineering, etc.) India ranks a poor 78th. The one sector where India does quite well is on environmental regulations. It ranks 21st on commitment to sustainability. That decent ranking, perhaps, may be on account of the fact that no surveys being conducted in this sector.

The one sector where India seems to be clearly on the move is innovation. It weighs in at 35 and the perception based questions show a similar rank. Dilip Chenoy, Secretary General, Ficci, said India has become an attractive destination for foreign investment. "Still on competitiveness, the challenge is to improve the perception on certain issues. Once it is done, the ranks will climb steadily".

In sectors where the economy's failings are demonstrably high, the ranks are made worse by perceptions. "In your country, to what extent does organized crime (mafia-oriented racketeering, extortion) impose costs on businesses?" India ranks 91, behind every major developing economy. It takes about the last position in trade but on labour issues there is an interesting dichotomy. India ranks quite well in its hiring and firing practices for labour but seems to be making itself uncompetitive by paying more on labour tax and contributions as a percentage of commercial profits compared with nimble competitors such as Bangladesh, Cambodia or even Kenya. They pay far less and top the league, while India is at a distant 93. If it's any consolation, the Nordic countries are even further behind.

ON THE JOB

Rural unemployment rises

MAHESH VYAS

After remaining well below the 8 per cent mark in each of the four weeks of September, the unemployment rate has risen above the 8 per cent mark in October. During the first two weeks of the month, the unemployment rate was 8.4 per cent and 8.6 per cent respectively.

The increase has come about because of a reversal of the sharp drop in the unemployment rate in rural India. Unemployment in rural India had dropped to 6 per cent in September after having reached 7.5 per cent in August. At 6 per cent, the rural unemployment rate was also the lowest in over a year.

This September fall in rural unemployment was the result of a sharp increase in kharif sowing activities because of a late recovery in monsoon rains. This led to a big increase in demand for labour in rural India. As the sowing season comes to a close by the end of September, we had expected this employment surge to recede.

Data for the first two weeks of October suggest that this is indeed true.

The rural unemployment rate in the week ended October 6 was 8.3 per cent and in the second week it was 8.2 per cent.

While a reversal of the exceptionally low unemployment rate of September was expected, the magnitude of the reversal surprises us. October is a month of festivals and the demand for casual labour, of the kind that usually gets absorbed in agricultural activities, is expected to remain high. We had therefore expected the rural unemployment to rise from the 6 per cent level of September to around 7 per cent. But, the data show a rise to over 8 per cent and that is surprising and disappointing.

The data seem to suggest that while employment opportunities in rural India declined in the first two weeks of October, labour did not leave the labour markets. They continued to look for jobs. The labour participation rate was 44.3 per cent in the first two weeks of October. This is the same as it was in the month of September.

But, employment opportunities had declined. The employment rate declined, from 41.6 per cent in September to 40.7 per cent in the first two weeks of October, which is the same as the average of the preceding three months. The employment rate has reverted to its average after having spiked momentarily in September.

Rationally, it can be expected that labour would retreat partially, during the remaining weeks of October as it becomes evident to them that job opportunities have declined. This would lead to a fall in the labour participation rate which in turn could reduce the rural unemployment rate. We, therefore, expect the rural unemployment rate to decline a bit, from its 8.2 per cent level in the first half.

It is assumed in the above projections that the employment rate would continue to remain around 40.7 per cent and that the festival season till Diwali would have no further impact. This assumption could well turn out to be true because the first two weeks of October already include a part of the festival season.

The unemployment rate is higher in urban India. The average unemployment rate during the first two weeks of October was 9 per cent. This is lower than the urban unemployment rate in August and September which were 9.7 per cent and 9.6 per cent, respectively.

The small fall in the urban unemployment rate is welcome. It is not an insignificant fall.

The urban unemployment rate shot up sharply in the quarter ended September 2019. After remaining stable at 8.1 per cent in two consecutive quarters, March and June 2019, it shot up to 9.3 per cent in the quarter ended September. The recent urban unemployment figures suggest some weakening of its upward trajectory.

First, the September 2019 urban unemployment rate at 9.6 per cent was lower than it was in August. And, the September 2019 estimate was influenced by an unusual spike in the last week. This spike of the last week is offset by a sharp fall in the rate in the first week of October.

Urban unemployment rate data for the past few weeks are somewhat noisy. It had peaked at 10.8 per cent during the week ended September 29. But then it fell to 8.5 per cent in the next week before scaling up to 9.4 per cent in the week of October 13. The fall in September and then the fall in the first two weeks of October indicate that the urban unemployment rate could be stabilising at a little over 9 per cent but below 10 per cent.

But the urban unemployment rate at 9 to 10 per cent is too high. The rate comparable to the official definition could be 12-13 per cent. It is imperative that these rates come down substantially.

The author is the MD & CEO of CMIE

LETTERS

Breakthrough needed

The optics of Prime Minister Narendra Modi and Chinese President Xi Jinping as a pair in a laid-back mood in an idyllic setting was excellent, yet deceptive. Plogging by Modi left the popular seaside resort more salubrious and demonstrated his commitment to Swachh Bharat. The Chinese leader appeared pleased by the gift of a special gold-and-red silk shawl featuring him. Also, the summit yielded the new alliterative coinage "Chennai Connect", a variant of "Wuhan Spirit".

That said, the high profile summit can be reckoned only as a "qualified success" as both the leaders stuck to their known positions on the bilateral and global issues and made no significant breakthroughs in the candid, "heart-to-heart" talks. The decision "to prudently manage the differences and not let them become disputes and show sensitivity in ties" encapsulates the outcome of the summit.

It is hard to know what exactly transpired in a tête-à-tête unless it is divulged for public consumption. The Indian side categorically stated that the Kashmir issue did not figure in the one-to-one meeting. Neither side threw light on the "domestic developments" said to have been discussed in the confidential deliberations. Jinping briefing Modi on Pakistani PM Imran Khan's recent visit to Beijing made just a footnote. The Chinese leader had earlier stated that he was keeping a close watch on Kashmir. PM Modi should not go by what Xi and Khan say or don't say but follow the requirements of our democracy.

On the positive side, China agreed to set up a high-level economic and trade dialogue mechanism for addressing the issue of trade and investment imbalance. India's annual trade deficit with China runs over $53 billion. But as for resolving border disputes, no perceptible progress has been made in the parleys. In a spirit of good neighbourliness, China must stop aggressive patrolling and transgressions by the People's Liberation Army along the Line of Actual Control.

G David Milton Maruthancode

Dragon dilemma

This refers to "Moving the needle" (October 14). Wearing a *veshti* or serving coconut water and his image-printed shawl to the Chinese President Xi Jinping may look good but in the larger context, it's insignificant. As far as trade deficit with China is concerned, there is not a single reason why China should be concerned at all and the proposed meeting between our finance minister and their vice-president may not achieve the desired results.

It's our headache that we still remain an import-driven economy. China's interests are safeguarded here. We will not become an export-driven economy overnight. Xi might not have spoken about Kashmir but we all know where his priorities lie.

It's an open secret that he would always prefer Pakistan over India and its potential stand at the Financial Action Task Force forum where Pakistan could be seriously penalised, if found not acting against terrorists, will again prove that. Trade and other interests in Pakistan are critical to China. And now with this direct proposed train link between Lhasa and Kathmandu, China has once again given us proof of its growing ambition in this part of the world and what kind of role it wants to play here.

Thus, it is India which needs to be wary of Chinese moves. Our immediate focus should be on the revival of our economy and nothing

else. Yes, dialogue and communication are important and should be continued, but it would be better if we bring our economy back on track and also bring normalcy in the valley in the coming months.

V S K Pillai Kottayam

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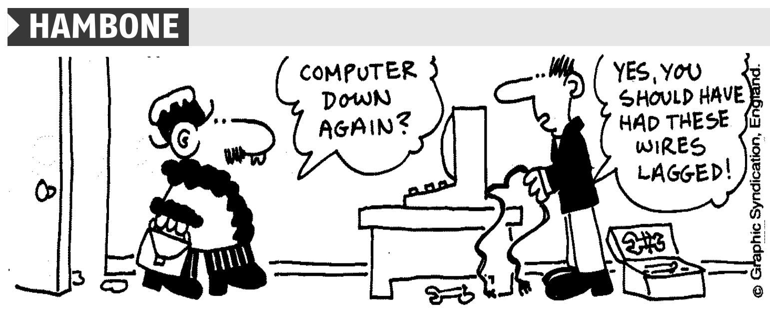
HAMBONE



Business Standard
Volume XXIV Number 44
MUMBAI | TUESDAY, 15 OCTOBER 2019

A prize for evidence-based policy

Econ Nobelists transformed policy evaluation

For the second time in five years, the Royal Swedish Academy of Sciences has awarded the Nobel Memorial Prize in Economic Sciences to researchers in the field of development economics. Angus Deaton, who won in 2015, has been joined this year by Abhijit Banerjee, Esther Duflo, and Michael Kremer. But the three economists this year have a very different approach to Prof. Deaton's, although they look at similar questions of poverty, inequality, and welfare. The latter won for work that uses large survey data sets to make useful but arguable inferences. This year's laureates, on the other hand, have reduced the same questions to smaller, bite-sized pieces about which something certain can be said. The hope is that coming out with more rigorous results will allow for evidence-based policy to take hold in developing economies.

The basic approach is similar to the clinical trials performed in medicine: A randomised group is exposed to the "treatment" of the policy being investigated, and another group is not — they are, in other words, served a policy placebo. Once the policy has been administered, then the effects on the two groups are compared. If it is statistically clear that there is a greater difference in the desired outcome for the experimental group than the control group, then a clear inference can be drawn that it is due to the effects of the policy. Since the two groups were randomly constituted, no other factor is likely to be responsible for a difference in outcomes. This approach is extremely important in contested and ideological fields like development economics, where policies could be attacked for merely enhancing inherent advantages of a particular group, or contrariwise pushed forward in spite of not having any real merit. Randomised control trials (RCT) have, over time, become dominant in the field of development economics — much to the annoyance of "big picture" econometricians and theorists like Prof. Deaton.

The impact of such thinking on the Indian state must be acknowledged. Some influential recent policy innovations in this country, from Aadhaar to reform of the public distribution system, have been pioneered following RCT studies. This Nobel would not, indeed, have been won without the co-operation with the three laureates and others in their field of multiple individuals and agencies of the Indian government at both the Union and state levels. It is easy to see why RCT-based analysis is so appealing in the Indian context. Bureaucrats are inundated with more proposals than they have the time, energy, or resources to implement. Proposals that are accompanied with a clear proof of their worth are, therefore, likely to be prioritised. But it is also true that evidence-based policy-making has not spread as much as it should have. In fact, one common criticism of RCTs is that governments have been reluctant to scale them up. In the education sector in particular, only one or two interventions emerging from RCT studies have been adopted at scale by the Indian bureaucracy. It is to be hoped that the Nobel awards will cause many more in the policy hierarchy to sit up and take note of what the academics have been producing.

UDAY's second rise

State governments will need to reduce subsidies

Successive governments' struggles to price services at market rates are amply demonstrated by the crisis in UDAY, or the Ujwal Discom Assurance Yojana, the 2015 scheme to boost ailing state power distribution companies (discoms). Now into its fifth year, UDAY has proven no more effective than two other attempts to solve the chronic discom debt problem in this century. The cumulative losses of 21 states that adopted UDAY stand at ₹28,639 crore in FY19. To be sure, this is a significant reduction on ₹51,562 crore in FY16, the first year of the scheme, but a massive 88 per cent increase over FY18. First-quarter indications for FY20 suggest that these numbers could get worse.

Ironically, this recent burgeoning of losses is principally on account of the Saubhagya national electrification scheme, which saw discoms getting meters installed in more households but failing to generate bills from them. But as the Reserve Bank of India's report on state finances observes, the debt position of state governments is showing "incipient signs of instability", principally on account of UDAY. The main sticking-point in discoms' deteriorating financial situation is the politics of populism. Discoms typically supply electricity to designated consumers — farmers or rural households — either free or at subsidised rates for which they are compensated from the state exchequer, or through cross subsidies. Since there is usually a lag in this compensation, discoms find themselves saddled with mounting losses.

With the stressed banking sector increasingly unlikely to finance additional loans, UDAY sought to improve on the One-Time Settlement (2003) and the Financial Restructuring Plan (2012) by linking discoms' bailout to tariff increases. State governments were to take over 75 per cent of the discoms' debt and then issue bonds to banks and financial institutions. Since these bonds carry a higher coupon than other state loans, UDAY sought to pressure state governments to eliminate or reduce subsidised tariffs and make the discoms profitable.

Under the agreement with discoms, the difference between the average cost of supply (ACS) and realisable revenue (ARR) was to come down to zero and technical and commercial (AT&C) losses down to 15 per cent. Given that the majority of UDAY states were ruled by the same party as the Centre, this realignment was expected to be seamless. By FY19, however, the ACS-ARR gap stood at ₹0.27 per kWh and AT&C losses at 18 per cent. No surprise, then, by June this year the discom dues to generating companies stood at ₹73,425 crore, an indicator of yet another NPA crisis in the making.

Clearly, the policy of enabling states to borrow to clear discom debt (via UDAY bonds) without penalising the latter for non-performance was untenable. This prompted the power ministry to modify the scheme to UDAY 2.0 in June. The new scheme involved, among other things, making discoms mandatorily open letters of credit to get supplies from power generators (essentially reviving a stipulation in the Electricity Act of 2003), reducing the permissible level of cross-subsidy and imposing a surcharge, at commercial rates of interest, on delayed payments. These are sensible proposals but the proof of their workability is, as always, open to questions. But it is a crisis the country's slowing economy can ill afford.

ILLUSTRATION: AJAY MOHANTY

We said, Xi said...

There is little to be gained from a Sino-Indian summit where competitive rhetoric outpaces the reality

Notwithstanding the gushy media coverage, which even featured the detailed dinner menu, of last week's "informal summit" between Prime Minister Narendra Modi and China's President Xi Jinping at Mamallapuram, this was hardly a breakthrough in the testy relations between the two countries. If there was diplomatic success, it lay in New Delhi's forbearance in allowing the summit to take place at all. A country less complaisant towards China might well have called off the summit three days before it happened, when Beijing, after Xi's meeting with Pakistan's Prime Minister Imran Khan, publicly declared that China supported Pakistan's all "core concerns". This amounts to backing Islamabad's claim over all of Jammu & Kashmir (J&K) and, in effect, the abandonment of Beijing's professed neutrality on the Kashmir dispute. New Delhi's placid acceptance of this, without even a strongly worded rebuke, must have signalled to Xi that New Delhi desired the optics of a Modi-Xi summit far more than Beijing did. This would have been confirmed during the summit when Modi silently heard out Xi's account of his meeting with Khan.

BROADSWORD

AJAI SHUKLA

The key achievement of the summit, as prominently advertised by both sides, apparently was that Modi and Xi spent over five hours in one-on-one talks on global affairs, investment and trade, combating terrorism, tourism and people-to-people contacts. Afterwards, Modi talked up the "Chennai Connect" that, he felt, would usher in "a new era" in Sino-Indian ties. Xi declared these were "heart-to-heart" conversations and that he and Modi were "like real friends." However, experience teaches that an exchange of national visions between the leaders of two countries does not naturally pave the path to peace, especially when there exists a deep-rooted strategic rivalry between them. Observers with a sense of history would recall the four-and-a-half hours of documented conversations between Mao Zedong and Jawaharlal Nehru in October 1954 in which the two leaders similarly discussed America's role in the region, the global environment and India's and China's place in it. Yet, eight years later they were at war.

True, New Delhi has little choice but to diplomatically engage an increasingly powerful, wealthy and assertive Beijing. However, it cannot be so distracted by the rhetoric of friendship and fraternity as to miss the fact that, since the first "informal summit" at Wuhan last year, China has done nothing to allay India's key security or economic concerns. The Indian Army has been unable to reduce a single soldier on the borders and our military's deployment posture remains predicated on the possibility of a two-front war. We are no closer to resolving the Sino-Indian border dispute, with the Chinese continuing to stonewall even the first step towards that — which is to exchange maps marked with each side's perceived alignment of the Line of Actual Control (LAC), the de facto border. Recent delegations from influential Chinese think tanks (which accurately reflect Beijing's official stance) have recited to Indian audiences the hackneyed formulation that a border solution "should be left to future generations." The official briefings after Chennai indicate that the Chinese stuck to the same line. With little accommodation in the present, Xi's proposal for a "hundred-year plan" for cementing ties between the two countries only kicks the can so far down the road that it ceases to be visible at all.

New Delhi's economic concerns remain unaddressed too, primarily its expanding $53 billion trade deficit with China and misgivings over the terms of the Regional Comprehensive Economic Partnership — a gigantic free trade pact being negotiated between 16 countries that together constitute some 40 per cent of the world's economy. Here, too, the can has been kicked down the road, with a "High-Level Economic and Trade Dialogue Mechanism" being set up to tackle these issues. That this is merely a hastily-applied band-aid was tacitly acknowledged by Foreign Secretary Vijay Gokhale's admission: "It was a brief discussion."

The experience of previous committees warns us to temper expectations. In the realm of border management, the Working Mechanism for Consultation and Coordination on India-China Border Affairs, signed in January 2012; and the Border Defence Cooperation Agreement, signed in October 2013 failed spectacularly to calm the Line of Actual Control (LAC). Instead, there was a three-week-long standoff at Depsang, Ladakh, in April 2013; followed by a 16-day face-off at Chumar, Ladakh, in September 2014; and then the tense 73-day confrontation at Doklam, Bhutan, in June-August 2017. The brief spell of peace on the LAC after Wuhan reverted inexorably to the scattered confrontations of earlier days.

Gokhale told the media that the two leaders did not discuss Kashmir as it is "an internal matter" for India. There was good reason to avoid discussing Kashmir, but it is, in fact, far from an internal matter. China physically occupies about 45,000 square kilometres of J&K state as claimed by India, including 3,000 square kilometres captured in the 1962 war and never returned; and 5,180 square kilometres ceded to China by Pakistan in 1963. If the only J&K issue that remains to be discussed with Pakistan is the return of Pakistan Occupied Kashmir to India, it is hard to justify remaining silent about the return of China Occupied Ladakh.

The concept of "informal summits" seems here to stay, with Modi having already accepted Xi's invitation to come and chat next year in China. However, there is little to be gained from a summit that is reduced to a spectacle and where competitive rhetoric far outpaces the reality. If Modi was reduced to writing poetry, China's envoy to India, Sun Weidong tweeted: "From Wuhan to Chennai, from Yangtze river to Ganges, China and India join hands and stand together. Dragon and Elephant have a tango." Sun should have known that such saccharine descriptives sound patronising to Indians when China and India still stand far apart on so many issues. For a dragon to ever tango with an elephant seems a long way from where we are now.

The key to benefiting from a trade deal

Prime Minister Narendra Modi's recent push for India to be in the Regional Comprehensive Economic Partnership (RCEP), despite opposition from his ministries and industry, is a good sign that he realises that India needs to strengthen its global integration, especially with respect to the buoyant Asian economies. The PM also made efforts to improve our bilateral trade relations with key partners, highlighted by his recent visit to the US to strike a trade deal with President Donald Trump. These are all steps in the right direction to boost exports and sustain high and inclusive growth.

But India cannot benefit from any trade deal — bilateral or plurilateral— without first putting its domestic house in order with urgent unilateral trade liberalisation that began in 1991 and was further strengthened under Atal Bihari Vajpayee. Since the United Progressive Alliance-II, and continuing till now, exports have stagnated as we did not continue with tariff rationalisation, a realistic exchange rate management, and moving away from an archaic trade negotiating strategy that is reactive. Trade and logistics facilitation reforms are another big constraint to rapid growth of exports and foreign direct investment (FDI). But to the credit of PM Modi, considerable reforms were undertaken during his tenure in this particular area, which are reflected in sharp improvements in the rankings of World Bank's Ease of Doing Business, Trading Across Borders and Logistics Performance indicators. Also, the PM's Economic Advisory Council (PMEAC) had brought out a report in October 2018, outlining a clear road map for further reforms in these areas. This is what we need to do immediately:

JAYANTA ROY

Tariff rationalisation: This is the first reform we need to maintain international competitiveness and make industry fully integrated into the global economy. To achieve this, we must have a two-year plan to bring our average tariff levels to single-digit ASEAN levels. Average tariff level in India for non-agriculture sectors is 13.6 per cent, a bit higher with tariff hike in the recent Budget, compared to 5.3 per cent in Malaysia, 7.3 per cent in Thailand and 8.4 per cent in Vietnam. This reduction is a must for not only promoting exports, but to also benefit from RCEP, or any bilateral free-trade agreement (FTA).

Realistic exchange rate: We need to immediately correct the overvaluation of exchange rate over the past few years. This is crucial for reviving the export momentum. I am most surprised that this does not receive as much attention as the push for interest rate cuts.

Trade and logistics facilitation reforms: To the credit of the Central Board of Indirect Taxes and Customs (CBIC), our cargo dwell time in ports and airports has been considerably reduced through adoption of modern risk management systems and automation. So has logistics development under the special wing created in the Ministry of Commerce and Industry. We now just need to complete the reforms clearly outlined in PMEAC report on logistics development.

Trade negotiating strategy: We need to behave like a major global player and take a proactive stance in trade in services, removal of subsidies and non-tariff barriers by not consistently pushing for temporary relocation of labour (Mode 4 of the General Agreement on Trade in Services) and Special and Differential Treatment (S&D). It is high time that we didn't hide behind the logic that we need these because we house the largest number of poor people in the world. This also does not go well with our flagging that we will be a $5 trillion economy by 2025.

Connecting with the largest global value chain: A good way to carry forward unilateral trade liberalisation to next generation trade reforms is to start preparing to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) comprising the 11 original members of TPP, excluding the US. They are: Japan, Australia, New Zealand, Brunei, Singapore, Malaysia, Canada, Peru, Chile, Mexico, and Vietnam. The CPTPP will incorporate the original TPP agreement, with suspension of a limited number of provisions. Membership in CPTPP will require achieving gold standard trade policy in elimination of tariffs and other barriers to trade and investment, a WTO + IPR regime and trade in services, adherence to competition policy, trade facilitation, reform of state-owned enterprises, investment policy, and government procurement. Labour and environment policies are also on the agenda, though how far these will be enforced is not yet clear. India does need to move swiftly on most of these policies on its own to fulfill its objective of closely integrating with the largest global value chain to boost exports and create jobs.

Along with the unilateral trade liberalisation policies outlined earlier, these are also the policies the government needs to undertake to fully benefit from RCEP, and other ongoing and proposed bilateral and plurilateral trade deals.

The writer is a former economic advisor in the Union commerce ministry

Of Vedanta & de-risking global finance

BOOK REVIEW

TAMAL BANDYOPADHYAY

There are many books on the global financial crisis triggered by the collapse of US investment bank Lehman Brothers and the lessons learnt from it. But this book, written by someone who has been a central banker for more than a decade, is different from the pack.

Ravi Mishra, currently an executive director of the Reserve Bank of India (RBI), had headed its financial stability unit (set up in the aftermath of the crisis) and was a principal chief general manager of the risk monitoring department. These assignments have a bearing on his narrative: He has dealt with a very complex subject with relative ease.

Macroprudential regulations are a work in progress but Mr Mishra has raised relevant questions and tried to answer them. The book traces the origin of the crisis, its impact on the global financial system and the long-term consequences. The academic world will definitely find this a useful reference book. The book has four parts: Regulatory reforms after the crisis; how macroprudential policies are being used to manage the systemic risks; the framework of crisis management; and the emerging new world of coordinated international policy-making. An epilogue deals with central banks' potential concerns a decade after the Lehman collapse.

India, which has a predominantly bank-led financial system, has always focused on the resilience of the system — important in the current context of the unholy nexus among some banks, shadow banks and bankrupt real estate firms that could threaten financial stability. The book describes in detail RBI's early experiments with (a) the investment fluctuation reserve (when banks were making too much money on their bond portfolio with the fall in interest rates early this century, they were asked to create this buffer against rising rates); (b) assignment of risk weights depending on the sensitivity of the sector (jacking up the cost of capital for banks as a disincentive to lend to such sectors); and (c) capping exposure limits to certain sectors.

In 2004, the RBI also started keeping tabs on the interconnectedness of different entities within the financial system. It's another matter that not every entity is respecting this, creating all sorts of problems — the latest crises in cooperative banks and shadow banking being cases in point.

While regional integration is a systemic process of economic, political and legal synergy and it takes a long time to achieve, Mr Mishra recommends that the lessons learnt from the Eurozone integration can be replicated in other parts of the world to avoid a crisis in future.

Citing the Sanskrit phrase *Vasudhaiva Kutumbakam* (the world is one family) Mr Mishra says Vedanta philosophy should be applicable to financial innovations. How? Human beings are the driving force behind the "family" mentioned in the phrase and they are made of mind, intellect and spirit. The synergy of the three creates energy, which empowers human beings to innovate. As enshrined in Vedantic philosophy, this synergy has to move from micro to macro. Mr Mishra says all nations must explore this synergy and reap the benefits of financial innovations. Globalisation is nothing but an expression of this synergy.

There are many roadblocks to global financial and economic integration. The recent tariff wars between the US and China is one of them. His theory is: All nations must look for the so-called Pareto-optimal economic integration — that is making some countries better off without hurting others. The need of the hour, according him, is creating a system to ensure global monetary and financial stability.

He extends this to linking payments systems of different nations, because interoperability will ensure cross-border access to international markets and bring down transaction costs. An international financial infrastructure should be set up for sharing technology platforms and data networks to facilitate payments and settlement of funds. He also supports the need for a global repository of regional statistics. This is easier said than done since the RBI itself believes in data localisation.

Finally, Mr Mishra has also dealt with concept of an international monetary system at length and the versions of top-down and bottom-up frameworks. The International Monetary Fund is losing its relevance in the world of finance because it does not know how to deal with a crisis of international dimensions even as the World Bank is not designed to handle financial crisis. The time, according to Mr Mishra, is ripe for a "multilateral" international surveillance framework. He quotes from the discourse of Lord Krishna in the *Mahabharata* ("Be like a garland maker, O King, not like a charcoal burner"). Indian mythology also illustrates this.

A garland has flowers of many hues and forms strung together for a pleasing effect while charcoal is the result of burning all kinds of wood and reducing diversity to homogeneous dead matter. The charcoal burner is reductionist and destroys diversity but the garland maker celebrates diversity. Instead of discriminating economies in terms of the power they wield, Mr Mishra advocates a "common-friend-of-all-but-enemy-to-none" approach. Any takers?

SYSTEMIC RISK AND MACROPRUDENTIAL REGULATIONS: Global Financial Crisis and Thereafter
Ravi N Mishra; Sage, 455 pages, ₹1,445