The long and the short of judgments

The Supreme Court is set to deliver crucial decisions but it should avoid past pitfalls

OUT OF COURT

M J ANTONY

The question whether the mills of justice must grind slowly and exceedingly well, as the saying goes, or aim at swift decisions, is a matter of interminable debate. When the British Supreme Court gave a 20-page decision against their Prime Minister last month after a three-day hearing, some held it out as a model for our courts which grate petitioners for decades. The issue before that court was comparatively simple though of high political consequence. Our Supreme Court has before it a batch of appeals and writ petitions which involve history, archaeology, religion, politics, and 20,000 pages of documents in eight languages apart from the high court judgment that ran into 8,000 pages. But for the deadline set by the Chief Justice, the Ayodhya case would not close this week.

In the normal course, judges do not set a deadline to finish arguments. Hearing normally grinds along for weeks in ordinary cases. Speeding up hearing is rare and carries a judicial hazard when one of the judges is about to retire. In the Ayodhya case, this was one of the factors which weighed with the CJ who heads a five-judge bench. He is retiring on November 17 and this is seen as the main factor for hastening the hearings.

There is a section of lawyers that thinks judges who are about to retire should not take up heavy cases. Such matters should be heard by a bench whose judges have sufficient time to hear all parties, hold conferences, exchange notes and give a final view. Past instances have amply shown that the impending retirement of one judge on the bench disrupts the comity of the brethren. It happened manifestly in the celebrated Kesavananda Bharati case. The then CJ, who was about to retire, and 12 brethren delivered 11 separate judgments running into 800 printed pages a day before his retirement. One member on the bench complained of lack of time to discuss the points among themselves because of the impending retirement of the CJ. Late Justice Y V Chandrachud wrote in his separate judgment that there was no full discussion by the judges because of that factor.

This unpleasant scenario repeated in several other cases. In the historical judgment, again involving the basic structure of the Constitution, called the Minerva Mills case, late Justice P N Bhagwati wrote a long passage about the paucity of time to consider all issues before the Constitution bench as one of the judges was retiring shortly. He emphasised the need for "judicial collectivity". In another famous case involving personal liberty, named after a former chief minister Nandini Satpathy, part of the judgment was hurriedly delivered on a Saturday, a court holiday. The full judgement was available only next Tuesday. One judge wrote that he received a draft from his fellow judge only the afternoon before the date of delivery of the judgment. The then Chief Justice had only hours to retire. "I have no time to write a detailed judgment," the judge wrote. The same judge wrote a similar observation in another important case involving another chief minister, Jagannath Misra.

If judges have enough time to confer with each other and write shorter judgments these pitfalls could be avoided. Late jurist N A Palkhivala once famously said that judges should keep in mind the shortness of human life. The CJ recently stressed the need for people to read and understand judgments while launching a project to translate them in national languages. Since communication of correct idea is all the more important in these days of disinformation and politicisation, long-winded judgments should be accompanied by an authoritative summary by the judges themselves. It had been done in the Kesavananda and the Minerva Mills cases. The three Allahabad high court judges also gave summaries of their judgments in the Ayodhya case.

In the coming months, the importance of understanding the true meaning of the judgments cannot be overemphasised. The Ayodhya judgment must be understood by the public. So also the decision on the abrogation of Article 370 of the Constitution. Long hearings followed by unwieldy judgments will prolong uncertainties as in the cases of reservations, land acquisition and Sabarimala, which are yet to be settled despite hundreds of pages of judicial wisdom. There would be clarification applications, review petitions, curative petitions and then perhaps turmoil in the streets. Finally, the judges will have to confess like a US Supreme Court counterpart that "we are not final because we are infallible, but we are infallible only because we are final".

CHINESE WHISPERS

Picture of honour

India (and Bengal) is celebrating the fact that a second Indian economist has won a Nobel Prize but in another corner of a foreign field another well-known economist, who played a significant role in the economic reform programme, is being honoured in a unique way. Shankar Acharya, who served as Chief Economic Advisor to the government of India from 1993 to 2001, is part of a select group of 30 "inspirational" members of faculty, students and general staff at Keble College, Oxford, whose photos are on display in the Main Hall of the college as part of its 150th anniversary celebrations. The photo exhibition will be on display for 15 months — that is, till the end of 2020. The photograph, which portrays Dr Acharya, a *Business Standard* columnist, in one of his favourite maroon sweaters, was taken by the wife of another economist, Tim Harford, author of the popular book and website *The Undercover Economist*. Dr Acharya, whose penchant for jotting in pocket diaries and on the margins of *Business Standard*, exemplifies Keble College's Victorian motto, "Plain Living and High Thinking," graduated from Oxford in 1967.

Problem of plenty

The proverbial problem of plenty applies to the Bharatiya Janata Party (BJP) these days. While the Opposition in Uttar Pradesh looks to be struggling, the unending influx of members from other parties to the BJP has raised the party's political quotient no doubt. But it has also created much uncertainty among local leaders. While the state leadership prominently plays up high-profile inductees in press conferences and public meetings, committed party workers fear losing out on lucrative assignments and during ticket distribution for the forthcoming by-elections. Although no one would speak publicly on the contentious issue, second- and third-rung leaders can be found venting their "genuine concerns" to the media whenever they get a chance.

BJP's Kerala woes

Electoral success continues to elude the Bharatiya Janata Party (BJP) in Kerala. The party's electoral prospects are slim in the five Assembly constituencies going to the polls later this month owing to factors such as infighting and weak candidate selection. The BJP had come second in two of these five constituencies in the last Assembly polls. However, this time, the party has decided to experiment with new candidates. Moreover, the party has failed to turn the Sabarimala temple agitation to good account. Some voters are upset with it for not bringing in an Ordinance to overturn the Supreme Court judgment, which allowed women of all age groups to enter the temple premises.

M&M gears up for another partnership

The deal with Ford is designed to boost exports but the additional capacity it will add appears counter-intuitive in a slowing market

SHALLY SETH MOHILE

Being a global player in passenger vehicles is a dream Mahindra & Mahindra has harboured for long. Esarlier this month the home-grown maker of sports utility vehicles and tractors decided to give its ambitions wings by stitching up a deal with a foreign partner once again.

After two years of intense deliberations, which started in September 2017, M&M and Michigan-based Ford Motor have announced a joint venture in which Mahindra will control the majority 51 per cent stake, whereas Ford will transfer its entire India business, excluding the engine vertical, to the new entity. This will be M&M's third deal with a foreign partner.

The nuts and bolts of the deal are quite straightforward. Both companies expect to achieve cost synergies, pare product development time and cost and leverage each other's distribution reach to boost exports.

"The big benefit that comes to Ford and Mahindra is on the exports front. It opens up a lot of possibilities," M&M Managing Director Pawan Goenka told Business Standard. Given that Ford has a huge network in many emerging markets and M&M in South Asia, the combined distribution can cast a much wider net than each can alone.

Ford's India business is also more geared towards exports, with six out of every 10 vehicles currently being made in the country exported. For M&M, exports account for only 6.3 per cent of total volumes, and it expects the JV to give this number a boost.

Ford's struggles are more on the domestic front, where the venture with M&M could come in handy. High cost structure, stiff competition from Japanese and Korean brands, frequent policy changes and cyclical swings have kept its domestic share at 2.8 per cent in 2018-19.

A lot is riding for both entities on the new models, including a C-segment SUV based on M&M's platform, a B-segment SUV based on Ford's platform, and a new MPV, being planned by the JV. The companies are also working on the new generation Aspire electric vehicle. M&M has made an equity investment of ₹657 crore into the JV, which is half the amount required to develop these products.

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

The real test for the co-developed vehicles, though, will be when they begin exporting their new models in about three years. For the Indian market, the JV will stay clear from badge engineering — where an existing model is changed by adding a new bade and subsequently marketed as a new variant. The platforms co-developed by the new entity will have distinctive top hats and even body types bearing the DNA, feature, and styling of each brand.

For the overseas markets, though, the companies may resort to badge engineering. This will give the JV a larger bucket of products to export. Some of Mahindra models may be sold through Ford's international distribution network, said Goenka.

Earlier this year, Ford Motor carved out China as an independent market from the Asia-Pacific region and formed an International Marketing Group (IMG) consisting of a hundred emerging markets as a separate cluster. The cluster includes Africa, ASEAN, Australia, India, Mexico, the Middle East, New Zealand and South Korea among other countries and is expected to be operational by January 2020. Ford expects this region to account for one in three vehicle sales in the future.

But exports of passenger vehicles out of India haven't had much success, and the challenges faced by others remain for the JV as well.

"Exports are a complex exercise," says Mahantesh Sabarad, head of equity research at SBICAP Securities. Automobiles go through frequent changes and every time there is a minor or major modification to a model, it has to go through homologation, or the process of certifying a product to indicate it meets the regulatory requirement in its destination country all over again. This is a huge logistical challenge. Having a large basket of products alone doesn't guarantee success, exports have to be supported by after sales network, he added.

To be sure, Ford has been restructuring operations in weak markets globally, and the JV with M&M is a risk mitigation strategy. As much as it would like to stay invested in India, given its demographic dividend, it could no longer afford to remain a marginal player amid high operating costs and intensifying competition. Therefore, unlike General Motor, which exited India lock stock and barrel last year, Ford has decided on a middle path.

The deal helps the company hedge its bets in a market where it has failed to make deeper inroads despite a presence of over two decades. "The only logic we see to this deal is that M&M needed to help Ford in its global strategy to reduce investments in non-core markets to ensure its commitment to a long-term strategic alliance which can benefit M&M through technology access and product development in the future," wrote Arya Sen and Ankur Pant analysts at Jefferies Equity Research in a recent research report.

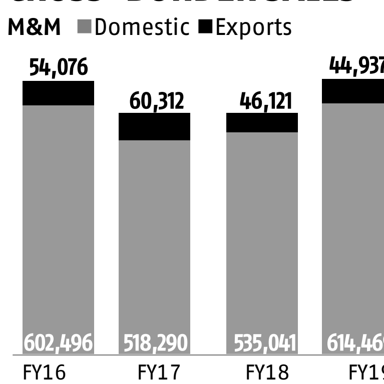
One of the immediate concerns relate to the cumulative capacity the deal creates. "We failed to understand why M&M is adding more capacity when its own plants' capacity utilisation is at less than 70 per cent, while Ford is at 60 per cent. We believe investors will be concerned about M&M's capital allocation strategy," wrote Hitesh Goel and Rishi Vora, analysts at Kotak Institutional Equities.

The two companies will have a combined capacity of 1.2 million units. Given Ford's limited success in India so far, analysts fear the entity would be saddled with excess capacity.

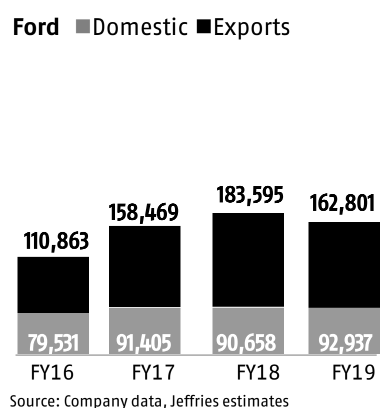
The other big question is that M&M's track record with alliances has also been patchy and analysts are sceptical of the longevity of the deal. Its earlier partnership with Renault ended prematurely after five years following differences over the design of Logan, and its JV with with Navistar for commercial vehicles too didn't last long.

"I don't see this lasting beyond five years," said an analyst at a consulting firm.

CROSS-BORDER SALES



Source: Capitaline (SIAM)



Source: Company data, Jeffries estimates

INSIGHT

Why India lags behind China

ANITA INDER SINGH

President Xi Jinping's weekend visit to India and his call for "new glory for Asian civilisations" remind us that China and India shed the yoke of Western imperialism in the 1940s. Since then, China's progress has made it the world's second economic and military power and earned it widespread recognition as the main challenger to America's global primacy. From Chennai Xi flew to Kathmandu. Laden with investment offers to Nepal, his move symbolised China's economic advance on India's Himalayan doorstep.

China's per capita GDP is $10,841 and its rank on the Human Development Index (HDI) is 86. India ranks 130. Its nominal per capita income is $2,309. The latest Global Competitiveness Index (GCI) ranks China 28th among world economies. India has fallen to rank 68 largely because some other countries have improved their investment conditions.

Why is India lagging so far behind China? Many Indians are quick to say that dictatorships make progress faster than democracies because they can avoid time-consuming democratic procedures. They are wrong. Most of the world's top 20 states on the HDI are democracies. Economically, India is the democracy that disappoints.

Dictatorship is no guarantee of economic success. Economic failures accounted in large measure for the collapse of the authoritarian multicultural states of the USSR and Yugoslavia in 1991. In contrast, India's ability to hold itself together showed that its multicultural, multireligious diversity could be accommodated through democratic consensus. Economic liberalisation, started by Congress Prime Minister Narasimha Rao in 1991, advanced progress. The world saw "India rising" in the 1990s.

But with China so far ahead, it can be asked whether India is still rising. After 40 years of progress at breakneck speed, China's growth is slowing down. But India was already straggling behind. The last five years have seen economic decline, foreign investors pulling their money out of India, falling manufacturing output and exports. India's record as a business-unfriendly country is a sticking point in its ties with many countries.

Education ranks as one of India's biggest failures. India is the only country which aims to become a global economic power without creating a reasonable level of universal education. More than a quarter of its population remains illiterate. Good education has helped Japan, the US, China and Southeast Asian countries improve the skills of their huge labour forces, to craft their vibrant, export-led economies and increase their economic influence. Indian labour is an unfortunate contrast to the proficient workers of a once war-ravaged but rising Vietnam, and also of a prospering Indonesia, which sees itself as the global maritime fulcrum of Southeast Asia.

The high levels of scientific and technological education also explain the global ascendancy of the US since the 20th century, and why the US and China can use their technological advancement to build up their world power in the 21st century. (In contrast, India's multifaceted economic decline over the last five years has made it hard to upgrade its armed forces.) China is well-placed in many contemporary areas like artificial intelligence and robotics. It can challenge the West economically and in scientific research. Neither can be done by India.

REUTERS

A file photo of Chinese President Xi Jinping and Indian Prime Minister Narendra Modi at the Hubei Provincial Museum in Wuhan, Hubei Province

India's deficiencies weaken its position in international financial negotiations and thwart its hopes of becoming a global player. China's prowess enables it to stake a claim to world influence. China's $15 trillion economy supports its economically and geopolitically motivated Belt and Road Initiative which touches 62 per cent of the world's population. India hasn't advanced enough to have comparable economic reach.

China's economic clout has enabled it to retaliate against President Trump's trade war, defy the decade-long international sanctions on Iran (2005-16) and Trump's recent sanctions on that country. China has therefore emerged as the leading investor and foreign influence in Iran. It is strengthening its position in West Asia. By bowing to Trump's oil-import ban, India could lose the position it had gained in Iran since 2015.

China has even enhanced its influence as the largest trading partner of India's friendly neighbours like Myanmar. It is the largest arms seller to Myanmar, Bangladesh and unfriendly Pakistan.

China claims to be reshaping and complementing the existing norms of global governance. Its Asian Infrastructure Investment Bank has attracted developing countries in Asia and Africa and also some of the European Union's prosperous West European members — which are simultaneously America's allies in the NATO. India is a founding member of the Beijing-led AIIB — but it is China which is the first among supposed equals.

India's rich resources — combined with sound economic policies — should have helped it to achieve much higher HDI and GCI rankings by now. Both indices show that India's health conditions and workers' skills rank below those of China. On skills, the GCI ranks China at 54, India at 107. On health, China's rank is 40; India's 110.

Economically sluggish India should boldly reform its economic policies and poor governance in order to incentivise the honest hard work of its citizens that is necessary for progress. Indian agriculture, manufacturing and industry must be made more competitive internationally. To create markets that function better than those of authoritarian China, New Delhi must strengthen the rule of law and improve the quality of democratic governance. Only then will the people of India increase their life chances; only then will democratic India narrow its gap with authoritarian China and play a larger world role.

The author is a founding professor of the Centre for Peace and Conflict Resolution in New Delhi. www.anitaindersingh.com

LETTERS

Stem the rot

Co-operative banks were formed and encouraged to facilitate financial inclusion. While they fulfil this role partially, they are governed by elected members of borrowers who may have limited vision of furthering their own business interest. The Reserve Bank of India's (RBI) role as a regulator comes in with the intention of safeguarding public deposits as co-operative banks are allowed to mobilise public deposit. Its supervision lends credibility to co-operative banks and its absence brings a dent in the safety image.

Co-operative banks thrive in the ecosystem of small business, traders, petty service providers. They have also carved themselves a niche of local stronghold and knowledge, personalised customer-friendly services, face-to-face banking in an increasingly fin-tech world. So how can one mitigate the pain of loss of public deposits in the face of practical realities? One, restrict the size. The larger a co-operative bank, the larger the risk of public loss. The RBI may decide a threshold business after crossing which the co-operative bank has to mandatorily convert itself to a commercial bank or small finance bank. Alternatively, it may be given the option of receding back to non-scheduled status that will attract limited RBI supervision and also restrict it from accepting public deposits.

Two, restrict senior citizens' deposits. Senior citizens are a vulnerable section who have no means of recouping lost capital and therefore, they should be prevented from placing deposits over ₹1 lakh with co-operative banks. Three, have representation of depositors in the board of directors. Co-operative banks, by their founding principles, are largely borrower's banks. The borrowers hold membership and are hence represented in the board by elected members. To ensure depositors representation on the board, depositors holding fixed term deposit over ₹1 lakh should be made regular members thereby giving them an opportunity for representation on the board. Four, co-operative banks approaching the threshold limit of business mix must compulsorily adopt core banking solutions that cannot be manipulated. It will also prepare them for stepping into a larger role of a commercial bank.

Madhuri Argade via email

Leave media alone

The statement by Ajit Doval (*pictured*) on media policy raises eyebrows. The question is whether media should have a policy at all. Media is a watchdog of political democracy that protects public interest against malpractice and creates public awareness. Suggestions from a person within the government asking media to frame media policy is like creating barriers and asking media to see and report what is happening from the glasses provided by the government and not to report on ground realities. Rather than working on media policy, media should report what they see and leave it to their audience to apply their mind and judge.

Siddharth Duge Mumbai

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The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
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Perils of loan waivers

Waiving farm loans has led to higher NPA in agriculture

Political parties are once again busy wooing farmers ahead of the upcoming Assembly elections. The Congress, for instance, has promised farm loan waivers in both Haryana and Maharashtra. The incumbent Bharatiya Janata Party (BJP) has not gone that far in Haryana but has promised interest-free loans. It has already implemented a loan waiver in Maharashtra.

Loan waivers do have a clear political motive, and it could even be argued that they also reduce the debt burden and enable farmers to invest, which may increase productivity over time. However, things don't work that way. Loan waivers create moral hazard and encourage borrowers to default. As reported by this newspaper on Monday, gross non-performing assets (GNPAs) in the agriculture sector have crossed the ₹1-trillion mark. As a proportion of credit to the sector, GNPAs now stand at over 11 per cent and have gone up by about 30 per cent in the last two years.

At a time when the banking system is dealing with higher NPAs in the industrial sector, the rise in bad farm loans would only add to the overall problem in the financial sector. It is possible that some borrowers in the agriculture sector may have defaulted because of a variety of factors, such as low output prices, but there is evidence that loan waivers play a role in adversely influencing credit culture. A recent report by the Internal Working Group to Review Agricultural Credit of the Reserve Bank of India (RBI), for instance, showed that the level of NPAs increased in all states that announced loan waivers in 2017-18 and 2018-19. Most other states either showed no significant change or even registered a decline in the level of NPAs. In this context, the report noted: "...this could be indicative of the presence of moral hazard, with borrowers defaulting strategically in anticipation of loan waiver."

Loan waivers not only create problems for banks but also for borrowers and the government. They affect the flow of credit because banks are reluctant to lend to farmers in states that have announced a loan waiver in the past. The reduction in the flow of credit can affect farmers and force them to borrow from informal sources at much higher rates of interest. Further, even though a loan waiver is implemented over a period of time, it dents government finances. According to the RBI's estimate, about a third of the overall slippage in the states' revenue expenditure during 2017-18 can be attributed to loan waivers. They were partly responsible for the states' fiscal slippage in 2018-19 too. Since governments have limited fiscal space, a loan waiver restricts the state capacity to make investment, including in agriculture, which can affect productivity in the medium term.

At the aggregate level, since the system does not benefit from loan waivers, the idea itself should be avoided. Also, it doesn't address the core problems of the farm sector, which needs wider reforms. However, this is not to suggest that the government should not support the sector. A better way to support farmers is direct cash transfer, which the Union and some state governments have adopted. An added advantage of this idea is that such schemes bring more farmers within the banking net and will, over time, help them get credit on more favourable terms.

Weak policy fabric

India's textile sector needs wider reforms

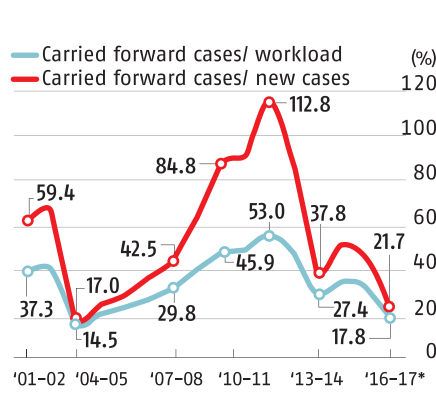
The Union government's proposal to make the use of a range of Indian-made "technical textiles" — textiles used in industrial applications — mandatory for ministries and public agencies offers another example of the paucity of fresh ideas for reviving the economy. In seeking to artificially create a market for a category of textiles, the plan is reminiscent of successive Jute Control Orders, which made it compulsory for industry to use jute packaging for sugar, cement, fertiliser, and some other commodities. Under the current proposal, seven ministries involved in major infrastructure projects, such as the railways and road transport, will lead the initiative in the use of these textiles.

The intention behind this proposal is praiseworthy — to encourage a fast-growing segment of the textile industry under the Make in India rubric and create jobs. The questions are whether such market creation by fiat is an efficient policy choice and is it necessary at all. The experience with the Jute Control Order offers some pointers. It was introduced with the laudable objective of reviving the perennially ailing jute industry. But other structural problems — not least absurd procurement prices, inadequate investment, outdated technology, and inflexible labour laws — ensured that jute mills remained in the sick bay, jute workers in dire straits and jute farmers in abject poverty. It is worth noting that the same problems prevent the industry from reviving despite a marked resurgence in the popularity of jute in the environmentally conscious West.

The Indian textile and garments industry does not suffer from the lack of a market but a weak ability to compete in terms of price and quality with producers from, say, Bangladesh and Vietnam, for roughly similar reasons. It would have been more constructive for the ministry to have focused on enforcing as well as expanding the coverage of an imaginative package for labour created in the first Modi government. That would have enabled flexible hire and fire without impinging on benefits, encouraging the kind of economies of scale that the textile industry sorely needs. Equally, an urgent programme to streamline the processes of the goods and service tax, one critical reason for weak exports, would have been more helpful than mandating demand. Working with the ports and shipping authorities to improve turnaround time in India's ports would have been no less useful. At a more granular level, technical textile exports have been among the faster-growing segments of the business. The ministry has, in fact, gone some way towards facilitating this sub-sector by notifying HSN codes for a chunk of technical textiles, enabling manufacturers to claim central and state government incentives. Useful enabling interventions of this nature would go far longer towards helping manufacturers compete meaningfully on a global scale.

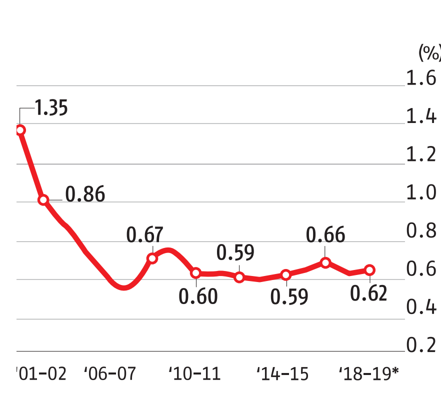
Experience from the bad old days of the licence raj has shown that a protected and guaranteed domestic market is likely to accentuate inefficiencies and encourage the kind of corruption that inevitably attaches itself to the tendering process. The fact is that Indian textile exports have long been misaligned with demand — being predominantly in cotton when the market preference is shifting towards synthetics. This inability to anticipate global market trends is symptomatic of a key weakness of Indian business in general. Protecting markets is unlikely to encourage them to improve.

FIG. 1: WORKLOAD INDICATORS OF ASSESSING OFFICERS



* Provisional

FIG. 2: COST OF COLLECTION OF DIRECT TAXES1/



*provisional; 1/ Department expenditure over tax collection

TABLE 1: NUMBER OF TAXPAYERS
(in million)

Assessment Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Major Category 2/						
Total	52.64	57.04	61.39	69.23	74.25	84.52
Of which,						
Company	0.70	0.75	0.77	0.81	0.84	0.89
Firm	1.04	1.08	1.16	1.25	1.31	1.43
Hindu Undivided Family (HUF)	0.96	1.00	1.06	1.12	1.14	1.19
Individual	49.58	53.81	57.97	65.56	70.45	80.45
Growth in Taxpayers	11.37	8.34	7.63	12.77	7.26	13.84

2/ Smaller categories such as Association of Persons, Body of Individuals, Government, Artificial Juridical Person and Local Authority have been excluded for brevity.
Source: Time Series Data 2000-01 to 2018-19 (Table 1.9), ITD, GoI.

Analysing revenue information-II

Tax administration advances, though continuing improvement remains paramount

PARTHASARATHI SHOME

This month we focus on income tax administration. We begin with how the officers' workload has changed. First the derivation. Officers' workload in year t is the sum of undisposed assessment cases in year t-1 plus new cases of current year t. ITD's Table 1.8 (not reproduced here, last published in 2017 and this table was discontinued in 2018) reports data on: (1) year-beginning workload or "total" cases; and (2) year-end disposed cases. We converted this to: (3) undisposed cases; and (4) year-beginning "new" cases, as follows. For 2013-14, (1) is 30,456,681 and (2) is 19,924,496. Thus, the difference, (3) 10,532,185, is undisposed cases which are carried forward to 2014-15. Therefore, new cases for 2014-15 must be (4) 21,254,217, which is the difference between carried forward cases (3) for 2013-14 and total cases (1) for 2014-15 (reported in ITD Table 1.8 as 31,786,402). We repeated the exercise for all years.

These calculations enabled the configuration of Figure 1 which plots: (i) carried forward cases over total workload, and (ii) carried forward cases over new cases. From 2011-12, both trends have declined i.e. indicators have improved, revealing relatively less cases remain incomplete. Further, from ITD's Table 1.8, it is obvious that workload had increased in 2008-09 to 2010-11 but disposal had also shown improvement. This was possible through the new Computerised Processing Centre (CPC) in Bengaluru. The positive trend has continued in recent years as carried forward cases dropped sharply in terms of both overall workload as well as new cases. In fact, the difference between the two indicators has consistently narrowed; in 2016-17 the difference was almost as small as that achieved in 2003-04. If the data are correct, all this implies that pendency or carry-over of assessment cases from one year to the next has been impressively compressed.

We next move on to the cost of income tax collection. Is it fair to expect too much improvement given the cutback in resources given to ITD, declining from 1.35 per cent in proportion of tax collection in 2001-02 to 0.62 per cent in 2018-19, among the —or probably—the lowest in the world? A ramification of this rapidly declining indicator could be surmised to be a lowering of staff morale or remaining totally above board in the face of pressure to collect revenue. Nevertheless it also must be conceded that the installation of massive information technology infrastructure in processing the bulk of tax returns may have mitigated operational costs on a running basis. However, the impact of information technology in bringing down operational staff costs is not estimated or reported. In any event, it would be helpful for the department to undertake an in-depth study of the trends in operational costs, analyse them, and undertake consequent reforms in this area.

A related policy analysis that is needed is the manner and rationalisation of selection of assessments and their calculations. Stipulating final allowable dates for concluding various types of assessment is a good forward step but it does not necessarily yield the desired result since further query on assessment or scrutiny can be raised just before a closure date. This averts the intention of policymakers to step up assessments and limit their time.

ITD's "taxpayer" or "effective assessee" is a person who either has filed a return of income for the relevant assessment year or in whose case tax has been deducted at source in the relevant financial year but the taxpayer has not filed the return of income. It is a useful indicator, but it does not necessarily mean all of them actually paid tax. Table 1 reveals that the number of taxpayers has grown by approximately 61 per cent from 2013-14 to 2018-19. This is a rapid increase and reflects an important recommendation of the 2014 Tax Administration Reform Commission (TARC).

Recently, the finance minister slashed the corporate income tax rate to 22 per cent (25 per cent including cesses and surcharges) and gave the option to taxpayers to opt for this low rate without incentives or avail of incentives together with their old rates. This is an innovation and unique. But there are two caveats. First, the authorities' resilience will be tested in adhering to the two options, for incentive seekers will lobby for incentives plus the new low rate. This is to be denied. Second, no amount of tax rate reduction could produce results without buttress from tax administration. This is the area where attention should be dedicated and progress closely monitored.

The first part was published on September 17

Can synchronised stagnation be stopped?

ESWAR PRASAD & ETHAN WU

The global economic slowdown is turning into a synchronised stagnation, with some major economies growing only weakly and others barely at all — or even contracting slightly. For now at least, fears of an imminent global recession seem premature. But policymakers have little appetite for fundamental reforms and limited room for effective macroeconomic stimulus, and thus seem at a loss for ways to revive growth.

The roots of the slowdown are not difficult to discern. Persistent trade tensions, political instability, geopolitical risks, and concerns about the limited efficacy of monetary stimulus continue to erode business and consumer sentiment, thus holding back investment and productivity growth. International trade flows have been directly affected as well. The World Trade Organization recently slashed its forecast for global trade growth in 2019 from 2.6 per cent to just 1.2 per cent. Furthermore, the Baltic Dry Index, a widely watched trade metric based on shipping rates for dry bulk commodities, nearly doubled in the first eight months of this year, but has since fallen by about 30 per cent, erasing hopes of a trade rebound.

Meanwhile, global uncertainty has kept the US dollar strong relative to most other major currencies. Although dollar appreciation has taken some pressure off non-US economies that depend on exports or foreign capital, it has increased the risk of an open currency war.

At the same time, not all indicators are grim. Labour markets remain largely healthy, even in otherwise anemic economies such as Germany, and household consumption remains strong in most major economies. In addition, the September surge in oil prices, which had raised concerns of another negative shock to growth, has since receded.

The US economy reflects this dichotomy. Labour-market performance and household consumption are still relatively robust, but both the manufacturing and services sectors are slowing. Tensions with major trading partners, including China and the European Union, and uncertainty regarding the United States-Mexico-Canada Agreement, have hit business confidence, profits, and investment.

Although Germany continues to flirt with recession while its government eschews fiscal stimulus, other European economies have picked up some of the slack. France, the Netherlands, and Spain are experiencing modest growth and robust employment, despite weakening trade. Italy's economy, however, seems to have flatlined, and the country remains wracked by political uncertainty.

Japan is facing multiple headwinds, including weak global demand, the contractionary effects of a sales-tax hike, and stubbornly low inflation. Financial conditions remain weak, as does the real economy. Business and consumer sentiment have plunged, which, together with the country's structural, demographic, and fiscal challenges, augur further prolonged economic weakness.

Brexit-related uncertainties continue to dominate in the United Kingdom. Fears of a disorderly exit from the EU, and ongoing domestic political turmoil, leave little room for optimism about the country's short-term economic prospects. Most indicators of UK economic activity are either flat or showing minimal growth.

To be sure, low interest rates in advanced economies, coupled with the recent fall in oil prices, have helped some large emerging-market economies. Even so, weak global demand and trade-related uncertainties, in addition to domestic policy constraints, continue to weigh on their growth.

For example, China's economy is clearly slowing, although not as much as some had feared given the ongoing trade war with the US. But there is no clear prospect of a durable resolution to the conflict, which continues to dampen Chinese business sentiment and private investment growth. The renminbi's gradual depreciation against the dollar has been orderly so far, but it has had only a modest impact on growth. And while China's government has room for more fiscal and monetary stimulus, policymakers seem willing to let growth decelerate gradually to a more sustainable level, rather than boosting spending and easing access to credit, which could raise longer-term financial and other risks.

India, meanwhile, is experiencing a sharp economic slowdown, driven in part by tight credit conditions and weak household consumption. The government recently lowered corporate taxes and eased restrictions on foreign direct investment, while the Reserve Bank of India has injected significant monetary stimulus through interest-rate cuts. But without a clear vision for economic reforms from the government, these measures are unlikely to revive private investment.

In fact, economic malaise has taken hold in many key emerging-market economies. Brazil has teetered on the brink of recession in recent months, as trade, employment, and confidence levels remain stagnant. Likewise, Russia's economy is experiencing zero or near-zero growth, according to most measures of activity. And Mexico, too, recorded zero GDP growth in the second quarter of 2019. The one positive economic note in all three countries is the continued growth of private-sector credit.

Given the growing risk of stagnation, governments may soon have little choice but to provide further macroeconomic stimulus. For this to be effective, policymakers will need to coordinate fiscal and monetary measures and undertake them in tandem with broader structural reforms aimed at improving long-term growth prospects. But with many governments seemingly lacking the political will to take such an approach, monetary policy will likely continue to shoulder the heavy and increasingly unsustainable burden of supporting growth.

Persistent reliance on ultra-low or negative policy interest rates leaves financial systems ever more vulnerable and has little positive impact on growth. And this unfavourable trade-off will continue unless governments make a broader commitment to structural reforms and prudent fiscal stimulus. Should policymakers fail to do so, synchronised economic stagnation will continue — and could give way to much worse outcomes.

Prasad, Professor of Trade Policy at the Dyson School of Applied Economics and Management at Cornell University and a senior fellow at the Brookings Institution, is the author of Gaining Currency: The Rise of the Renminbi. Ethan Wu is a student at Cornell University.
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India in the Cold War

BOOK REVIEW

SHYAM SARAN

Manu Bhagavan proved his credentials as an accomplished political historian with his earlier work, *The Peacemakers*, on India's active and influential diplomatic role in the early years after its independence. His considerable and pioneering research pointed to a hitherto unacknowledged role that India played in the negotiation of international norms on a number of key issues despite being outside the league of major powers. India's non-alignment gave it the credentials to play the go-between in the emerging polarisation of the Cold War. Its much-derided moralist "pretensions" enabled it to carve out a favourable niche for itself in the post-Second World War international order. The current volume, *India and the Cold War*, takes that story further, providing greater detail and more nuanced perspectives, putting together contributions from several well-known analysts, who have drawn on more recently available archival material. It is commendable that the authors of various chapters represent a younger but nevertheless promising generation of scholars, whose rigorous scholarship and attention to historical detail stand out.

It is inevitable that when you have a number of contributing scholars covering a wide spectrum of issues, adhering to a broad but consistent theme is difficult. Bhagavan makes a valiant effort to pull the various threads together in his fine Introduction, but the disconnect between the chapters remain. There is no clear story line except in the broadly defined title. Mr Bhagavan refers to Odd Arne Westad's work, which attempted to put the binary nature of the Cold War in a broader global context, with impacts on other regions and relationships not directly implicated. The latter, in turn, did influence the manner in which the Cold War equations played out. This is the backdrop to examining India's role during the Cold War and contesting the perception that it was a marginal, though sometimes an irritating player.

The contributions themselves are of variable quality. Srinath Raghavan's piece titled "A Missed Opportunity? The Nehru-Zhou Enlai Summit of 1960", provides fresh archival confirmation of what has been fairly well established in various studies on the India-China boundary issue, that there was a possibility of reaching agreement on a boundary roughly aligned to the McMahon Line in the East in exchange for accepting Chinese claims in the West in Ladakh. This might have prevented the slide into the India-China war in 1962. Though not cited by Raghavan, this so-called "package proposal" continued to be on offer at least till 1985 when the Chinese side began insisting that India had to make "meaningful concessions" in the east in exchange for which the Chinese side may make appropriate concessions in the West. This was accompanied by a new demand that Tawang had to be conceded by India in any boundary settlement, a claim that continues to be politically unacceptable. It would be interesting to explore through further research whether Cold War dynamics as it prevailed in the 1980s had anything to do with this change or whether it was mostly a reflection of the altered balance of economic and military capabilities between the two countries.

Waheguru Pal Singh Sidhu's chapter titled "The Accidental Global Peacekeeper" traces India's role as the chief provider of peacekeeping forces for UN missions in various conflict zones. He has highlighted the role of General Indar Jit Rikhye, who as military advisor to the UN Secretary General was instrumental in working out the basic norms and institutional processes in mounting peacekeeping operations. This is another example of India taking active part in international rule-making despite its relative lack of substantive power.

Rohan Mukherjee analyses India's nuclear posture during the period 1962-69 and correctly describes it as maintaining nuclear ambiguity, pressing for nuclear disarmament while developing the nuclear capabilities which would enable a nuclear deterrent should that become necessary for safeguarding India's security. In my view he over-emphasises the prestige factor as driving India's nuclear policies, downplaying the security aspect. Every nuclear weapon state has, to an extent, been driven by notions of prestige and belonging to a select club and India is no exception. However, once China became a nuclear weapon state and Pakistan's relentless drive to develop nuclear weapons became well known, the security driver in India's case became compelling.

Two other contributions are worthy of mention. Rahul Sagar's chapter on Hindu nationalists and the Cold War provides a useful narrative on the mutually contradictory foreign policy prescriptions of the RSS and the BJP. There is a greater affinity with the West but at the same time a preoccupation with its corrupting influences on India's cultural ethos. There is an emphasis on economic and military muscle but unwillingness to accept economic strategies that go beyond self-reliance.

Lastly, Syed Akbar Hyder's chapter on the Pakistani poet Faiz Ahmed Faiz, may seem an incongruous inclusion in the book but was interesting as a counterpoint to the Cold War binaries that were dividing countries and people into opposing categories. Faiz's poetry refused to acquiesce in these binaries and sought to evoke sensibilities that transcended boundaries and ideologies: A reminder that there is a common humanity and innate empathy that the politics of division are sometimes unable to suppress.

The writer is a former foreign secretary and a senior fellow, CPR

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