

About incumbents and challengers

In many industries, incumbents have often been trumped in the new product/technology race by rank outsiders. Will EVs' fate be any different?



ACROSS THE BOARD

SHAILESH DOBHAL

A recent statement by Rajiv Bajaj, the gutsy chief of Bajaj Auto, at the launch of the company's first electric offering got me thinking on the issue of core

competence. Bajaj said that he was surprised that battery and motor makers, even "television, fridge, mobile" importers had rushed into the electric vehicles or EV space. And that many industry peers were merely shopping for EV-tech startups unlike his firm, which was doing it in-house, as "we at Bajaj are engineers who do our own jobs".

Bajaj might have a point here, and we need people of his ilk by the dozen who stick to the knitting so to say, are ready to dirty their hands and invest their money in building technology ground up and are proud of their hard-earned stripes and all. And he may be right that many who are rush-

ing into the EV space may just be gold diggers, looking for a fortune in mere trade/import arbitrage like many did in consumer electronics. In fact, I have a term for it — foreign-made Indian brands. Think of the early days of computers, colour televisions, mobiles et al. We know what happened to most when the tough times and tougher competition arrived — they simply jumped ship to the next "new" product/tech space and many faded into oblivion.

But it is instructive to recollect that global business history is replete with examples of big, successful firms being trumped in their own backyard by upstart new entrants, often with no experience, heritage or money!

And it is truer in the new tech businesses. Think EVs itself, and I bet for most, the top-of-the-mind name is Tesla, not the Detroit duo of General Motors and Ford, or even the globetrotting Toyota.

When it came to dominating the internet, it was not the reigning tech monoliths Microsoft or IBM, but newbies like Google and Facebook that stole the march. Walmart dominated the retail world like a colossus, and yet an Amazon was born right under its nose to straddle global e-commerce. And Johnny-come-lately, over-the-top

media services players like Netflix and Amazon Prime are dwarfing entertainment biggies such as Time Warner and News Corp.

Businesses are discovering competition and existential threat from unlikely quarters. And challengers, much like Google, Amazon and Tesla, have nothing to lose whilst incumbents have a whole franchise to protect. Rank outsiders like Airbnb and Uber have

We need people who are ready to dirty their hands and invest their money in building technology ground up

upended industries as varied as hospitality and automobiles. The script is being played out by home-grown Oyo and Olas in the domestic market. And before it blew it, a Finnish paper-maker turned phone-maker, Nokia had become synonymous with mobile phones. And a rice trader dreamt and won the crown of being the content king of India, yes for a while. So challengers, even in

retreat and death, deserve a little more respect.

So is core competence all bunkum? Not really. Once I asked a senior Coca-Cola manager from Atlanta why the firm never extended its brand to other categories. He told me something to the effect that for consumers, Coke can only mean a sugary, brown soda that pours out of a bottle or a can, and that you have to respect the consumers' understanding of the brand. So there is, after all, some grit in the competence comfort theory. And anyway, such is the impermanence of dominance that Google, which thought it owned the internet, missed out on not one but two subsequent tech waves in social media (Facebook, Twitter, LinkedIn) and e-commerce (Amazon). Surprisingly, in EVs too, it is old-world car-maker Nissan not Tesla that comes top on cumulative non-US global sales for a single model with its Nissan Leaf.

The trouble with transporting steel

For India to benefit from capacity targets set in the National Steel Policy 2017, modes of transportation other than road and rail need to be developed first

KUNAL ROSE

India's two leading industry professionals T V Narendran, CEO and managing director of Tata Steel, and Seshagiri Rao, joint managing director of JSW Steel, have wisely taken upon themselves the task of dispelling certain myths about the Indian steel industry, in particular that the mills here do not come up to world standards in terms of product quality and costs.

Narendran is emphatic in his assertion that some steel mills here would easily pass off as "globally competitive and efficient within their premises. But much of that advantage gets compromised when they step outside their factory gates" for procurement of raw materials and egression of finished steel products.

This is because the environment outside mill premises where logistics come into play is largely within the realm of government, both at the Centre and in states. It goes without saying that the infrastructure here whether it is rail, road or water transport calls for considerable strengthening for our industries to enjoy logistical efficiency available to their counterparts in developed countries and also in some emerging economies.

In order to reduce their dependence on the heavily pressured infrastructure, some steel groups, specially Essar and JSW, are putting reliance on environment friendly and cost-effective movement of iron ore through pipeline from mines to mills. Tata

Steel, where the logistics cost is around 15 per cent, is to own wagon rakes, build slurry pipelines and set up ports to ease movements of raw materials and finished steel products. Similarly, the majority government-owned miner NMDC, which is to commission a 3-million tonne (mt) steel mill in the downstream at Nagarnar in Chhattisgarh sometime next year, is building a slurry pipeline for iron ore transportation.

The trend of Indian steelmakers with financial muscle creating facilities to ease logistical pressure they are subjected to is growing in recent years. But the nature of the steel industry is such that it requires moving three units of dry bulk items, including iron ore, metallurgical and thermal coal, ferroalloys, limestone and dolomite to make one unit of the metal, which will also

requires evacuation to the market here and abroad. The 2017 national steel policy has set capacity target of 300 mt for production of 255 mt of steel in 2030-31. An infrastructure robust enough to handle steel related cargoes of 1.02 billion tonnes (bt) a year by then could only be created by the government with some contribution by the user industry.

Prime Minister Narendra Modi in an address to businessmen recently in the US said India was to invest \$1.3 trillion in infrastructure in the next few years. This was in an attempt to present the country in a favourable light among potential foreign

investors. Modi's announcement has delighted the steel industry here for two reasons: First, the promise of a sturdy infrastructure that Indian steel exposed to global competition acutely needs. Second, the promised \$1.3-trillion investment in building roads and bridges and sea and river ports and airports will generate considerable additional demand for the ferrous metal. This, however, should not distract attention from the goal to bring down our now exceptionally high logistics cost to as near the world class level of 7 to 8 per cent in the quickest possible time.

Encouragingly for the industry, Dharmendra Pradhan who now has additional charge of steel besides petroleum and natural gas in the Union cabinet says that a key to improving global competitiveness of Indian steel will be to give it a multimodal transport system that will facilitate smooth movement of raw materials and finished products. Logistics cost has two elements. Direct costs are those incurred in the course of moving goods such as warehousing, transportation and any value added services. McKinsey & Co in a report says that the disturbing feature of the logistics scene in India is the 40 per cent share of indirect or hidden elements in total logistics cost against "less than 10 per cent of the total in developed countries. Indirect costs include inventory carrying cost, theft, damages and loss in transit."

Narendran says "inconsistencies in logistics result in higher inventories and that translate into inflated inventory carrying cost and working capital. What happens with steel industry logistics outside mill gates has an



Nothing should distract us from the goal to bring down the exceptionally high logistics cost to the global level of 7-8 per cent in the quickest possible time

implication for other cost elements." This, therefore, underlines the urgency to fill the gaps in infrastructure denying the industry to realise its full potential. In recent weeks from Steel Secretary Binoy Kumar to Odisha Chief Secretary Asit Tripathy did some loud thinking on the best ways to come to grips with logistical challenges faced by the steel industry, which is required to create new capacity of 160 mt in the next 11 years.

Tripathy describes the logistics scene in Odisha, which alone has 30 mt steel capacity of the country's around 140 mt as "a nightmare" with "evacuation of finished products as well as moving imported raw materials from ports" posing major challenges. The least that Odisha, which is to have one-third of the projected national steel capacity of 300 mt in 2030-31 will be required to do, with backing of the Centre, is to have a break from traditional approach to logistics and promote multimodal transportation. Tripathy says: "Odisha

has two major rivers, Brahmani and Baitarani, which should be developed into major inland waterways" for transportation of steel related raw materials and finished products. Such goods movement finding much favour in the US and in EU countries is relatively inexpensive and, at the same time, environment friendly.

Interestingly Kumar and Tripathy's proposal to create steel hubs so that the units in them could have the benefit of common infrastructure also features prominently in the 2017 policy. Hopefully, recent pronouncements by Pradhan and concerned bureaucrats that inland waterways and coastal shipping will be developed to ease pressure on rail and road transport will be followed up by rapid action.

Supporting Narendran's claim of high levels of efficiency of Indian mills when high logistics cost outside mill gates is not considered, JSW's Rao says, "Five Indian groups feature in the World Steel Dynamics list of 30 world class steelmakers."

CHINESE WHISPERS

Vanishing opposition



The Uttar Pradesh by-polls are being seen as a test for Chief Minister Adityanath (pictured) ahead of the 2022 Assembly

elections, and the opposition seems to have given his party, the Bharatiya Janata Party, a walkover. Although the opposition — namely, the Samajwadi Party (SP), the Bahujan Samaj Party (BSP), and the Congress — have fielded candidates in all the 11 seats in Monday's bypolls, their top guns were missing in action. While SP President Akhilesh Yadav canvassed only in Rampur for Tazeen Fatma, the wife of the party's Muslim face Mohammed Azam Khan, BSP President Mayawati and Congress General Secretary Priyanka Gandhi Vadra refrained from addressing public meetings and preferred the passive mode of attacking the Adityanath dispensation through social media and press releases.

Always consistent

Congress leader Jairam Ramesh on Monday tweeted against the Regional Comprehensive Economic Partnership (RCEP). Ramesh, a Rajya Sabha member, said: "Demonetisation. Botched GST. Now a third jhatka (jolt) with India likely to join the new trade accord called RCEP. This means: 1. More imports from China impacting Indian MSME; 2. Dairy imports from New Zealand and Australia hurting farmers/cooperatives, and 3. Free data flow compromising data security." Ramesh's tweet was contested by Swadeshi Jagaran Manch (the economic think tank of the Rashtriya Swayamsevak Sangh) Co-convenor Ashwani Mahajan, who said: "(It is) Strange (that the) Congress, which concluded disastrous ASEAN-FTA, Indo-Japan and India-South Korea FTAs and pushed into RCEP negotiation, is talking about fallouts of RCEP FTA. Will the Congress apologise before the nation for its wrongdoings in yesteryear?" However, Mahajan soon tweeted that Ramesh called to tell him that during the UPA years too he had opposed free-trade agreements.

Congress' dilemma

The exit polls on Monday predicted a decimation of the Congress in the Assembly polls in Maharashtra and Haryana. Congress leader Rahul Gandhi and his associates, including the party's training department chief Sachin Rao, are busy planning the road ahead. Rao has been in touch with Gandhian institutions in Maharashtra to train Congress leaders and workers. These institutions have offered to educate Congress workers on Gandhian ideology, particularly the concept of satyagraha. But the leaderships of these institutions are worried whether the Congress would be comfortable with such training. Mahatma Gandhi believed people should not accept authority unquestioningly, and the institutions are afraid Congress workers might just turn around and question the dynastic hold in the Congress.

ON THE JOB

Low-skill jobs dominate



MAHESH VYAS

During May-August 2019, an estimated 404.9 million persons were employed in India. This implies that 2.5 million more people were employed during these months compared to a year ago, when employment was of the order of 402.4 million.

This is a healthy sign because during the preceding two May-August periods, employment had fallen in similar year-over-year comparisons. Employment during May-August 2018 was 5.5 million lower than it was in May-August 2017 which, in turn, was 0.6 million lower than it was in May-August 2016.

May-August 2019 is also the second consecutive complete Consumer Pyramids Household Survey to have recorded a sequential increase in employment. One comprehensive survey is conducted over a four-month period. The January-April 2019 survey recorded an increase of 3.4 million jobs over the September-December 2018 survey. And now, the May-August 2019 survey has recorded an increase of 0.6 million jobs. This is noteworthy because jobs had declined sequentially in all the preceding three surveys, that is, in all the three surveys of 2018.

While all this is good news, the not so good news is that the increase in employment in the latest May-August 2019 survey is distributed more in favour of sectors that should be seeing a fall in employment. We study the distribution of the 2.5 million jobs that increased

between May-August 2018 and May-August 2019. Note that this period in 2019 included the 2019 Lok Sabha elections in May.

Agriculture saw an increase of 8.4 million jobs. This is surprising because monsoon rains were running behind schedule and by the end of August 2019, kharif sowing was 1.7 per cent lower than it was by the end of August 2018. The increase was largely in crop cultivation. This saw employment go up from 133 million to nearly 139 million. Poultry farming and animal husbandry also saw an increase in employment from 1.8 million to 4.3 million.

An increase in employment in agriculture during a year in which agricultural activities had shrunk is odd. One explanation is that as jobs in other avenues had shrunk, labour had no recourse but to revert back to their farmlands and claim that they were employed in agricultural activities.

Construction, which is known to be the first place for unskilled and surplus workers from the farmlands to be employed, shed 2.4 million jobs. The sector is estimated to have employed 62 million during May-August 2018 and this fell to 60 million in May-August 2019. These workers are likely to have repaired with the farmlands.

The stress in the construction sector is not new. While it shed 2.4 million jobs in May-August 2019, it had shed 7 million jobs in May-August 2018. During this year, even agriculture had shed a massive 11 million jobs. The saviour during 2018 was retail trade services which absorbed an additional 6 million jobs and the services sector as a whole that absorbed a total of 10 million jobs.

But, absorption of additional labour in retail trade is declining sharply. The sector could absorb only 1.4 million additional persons in May-August 2019 compared to May-August 2018. And, the services sector as a

whole shed 2.3 million jobs.

Travel and tourism is the biggest contributor to the decline. It shed 2.2 million jobs. Several other services sectors have shed jobs. These include IT and financial services. These shed 0.6 million and 0.5 million jobs respectively in May-August 2019 compared May-August 2018.

The share of easily identifiable low-skill jobs is quite high. While all sectors have low-skill jobs, the sectors that have largely low-skill jobs are agriculture, construction, retail trade and personal non-professional services. The share of these jobs in total jobs is over 70 per cent. The share of these jobs in the total employment has also been creeping up. It was about 68.7 per cent in 2016. Then it rose to 72.1 in 2017 and 72.2 in 2018. In the first eight months of 2019, it was higher at 73 per cent.

In May-August 2019, these relatively low-skilled jobs were of the order of 296 million. A year ago, these were of the order of 289 million. Therefore, these low-skill jobs saw an increase of over 7 million during the span of a year. Note that the total increase in jobs during this period was only 2.5 million jobs. So, it is possible that jobs have moved out from relatively better sectors.

Employment in the manufacturing sector declined by 0.9 million between May-August 2018 and May-August 2019. The textiles industry is estimated to have shed 2.2 million jobs and non-metallic mineral products shed another 0.4 million. Non-metallic mineral products include cement, tiles, bricks, glass. This ties up with the finding that employment in construction has declined. Food industries and machinery manufacturers added labour. Even utilities added labour.

The fall in manufacturing jobs, IT and financial sector jobs is worrying. And, an increase in farmhands is not a solution to the jobs challenge.

The author is the MD & CEO of CMIE

LETTERS

Ridiculous logic



This refers to a statement of Rahul Sinha, the National Secretary of Bharatiya Janata Party (BJP), on Nobel Laureate Abhijit Banerjee that was reported in *Business Standard* on October 20. Sinha said, "Those people whose second wives are foreigners are mostly getting the Nobel prize. I don't know whether it is a degree for getting the Nobel."

This is not only a deliberate insult to Banerjee but also Amartya Sen. It is a ridiculous statement that one does not even have to disprove. One can only mention that Banerjee's wife Esther Dufflo is not just a foreigner but a professor at Massachusetts Institute of Technology and the co-recipient of the 2019 Nobel Prize for economics. I have great respect for Prime Minister Narendra Modi and so I would request him to purge the BJP of its national secretary.

And it's not just one member of the party. Piyush Goyal is the Minister of Commerce and Industry. His statement that Banerjee was totally left leaning and the people of India had rejected his thinking also makes no sense to say the least. What is the "left thinking" in Banerjee's theory of Randomised Controlled Trials? I have read his book *Poor Economics*. The theory is that rather than taking the problem of alleviation of poverty in totality (like Amartya Sen or Martin, the American Professor does), he and his team have taken an alternative approach. They segmented the prob-

lem in smaller aspects of improving education or health in some areas working with the local governments, not only in India but also in other countries such as Kenya. In Gujarat, they are working with the BJP government and elsewhere with other governments like in Rajasthan, with the Congress government. It is the team which has got the Nobel Prize, not only Banerjee.

This is experimental economics. In one experiment in Rajasthan, it was found that many parents did not bring their children to clinics for free immunisation but did so if offered a free kilo of dal. The Abdul Latif Jameel Poverty Action Lab is doing research under the guidance of these famous economists in Harvard and MIT. Just dismissing it as a left-leaning exercise, as Goyal has done, only shows that he talks without understanding anything. With friends like him, Modi does not need any more enemies.

Sukumar Mukhopadhyay via email

The worth of a teacher

This refers to "Infrastructure of opportunity" (October 21) by Manish Sabharwal and Ashok Reddy. It is an incisive analysis of the poor state of affairs in government-run schools in terms of teacher performance and governance. There is sufficient anecdotal and other evidence to show that it is the quality of teachers rather than the infrastructure that ensures great

learning outcomes among students.

These qualities are both tangible and intangible. The former (such as qualification or experience) can be recognised, measured and rewarded by say, good pay and incentives. But the latter comes from within the individual. The passion for teaching is the most important of them. High pay does not create passion. There are still some teachers who give free coaching to poor or bright students to build their careers but there are also many who run coaching classes to make more money.

Passion helps overcome the physical hurdles in the profession particularly in rural areas where many amenities are missing. The government should identify and support passionate teachers. It is time teachers were freed from non-teaching work such as serving election duty or serving as priests in temples as the Haryana government did. Respect and love for a passionate teacher are the best motivators.

There is no system of job evaluation that can determine the worth of a passionate teacher. If passion is high, she is priceless. If it is low, she can prove to be very expensive.

YG Chouksey Pune

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Come clean on the fisc

If taxes fall short, it should not be covered up

The Union finance ministry has reportedly informed the Fifteenth Finance Commission of the straitened nature of Indian public finances. The ministry is of the opinion that the tax shortfall in the ongoing fiscal year will be around ₹2 trillion. This is in the same ballpark as the degree by which the provisional actuals for the last fiscal year, 2018-19, were less than the Budget estimates. The last Union Budget projected revenue for the coming year at ₹22.4 trillion. A shortfall of this magnitude would mean that either revenue would be raised from non-tax sources, spending would have to be severely crunched, or the fiscal deficit would miss the target of 3.3 per cent of gross domestic product (GDP). None of these is a palatable option. A fiscal crunch at a time when the Indian economy has clearly slowed sharply would run the risk of entrenching the slowdown or even turning into a downward, self-reinforcing spiral. Raising non-tax revenue could be one option. However, things have not moved fast enough on this front. The government will need to move ahead with the stated idea of strategic sale to bridge the shortfall in receipts under other heads.

On the other hand, if expenditure cannot be compressed — and the finance minister has publicly committed to preserving the amount of capital spending in particular — then, in other words, the fiscal deficit might effectively increase from the targeted 3.3 per cent of GDP to something closer to 4 per cent. The fact is that this reversal of the fiscal consolidation process will throw into question the entire glide path to 3 per cent of GDP, which has long been promised. But transparency is a virtue in and of itself. The credibility of government figures has been questioned widely following the Union Budget's reliance on the inflated, revised estimates of tax revenue rather than the provisional actuals, which were estimated after last year's tax shortfall had become clearer. This added to the confusion about the actual borrowing target of the whole public sector — a confusion created partly by the decision to use borrowing against public-sector enterprise balance sheets to fund spending that might previously have been accounted for in the Union Budget.

The credibility of government budgeting needs to be restored. There has been a crisis of private investment in India partly because of the ongoing uncertainty about the nature and quality of public-sector spending. This uncertainty must end and transparency restored. A real fiscal picture must be provided. It will also help in addressing the problems in both revenue and expenditure more transparently. The finance minister promised at the International Monetary Fund meeting that India would stick to the fiscal consolidation programme. While her determination to not review the fiscal deficit target is admirable, the reality may be different. The problems with the goods and services tax and the slowdown that impacts direct tax revenue are certainly major events that would affect the budgeting and fiscal consolidation paths of any government anywhere. A one-time re-evaluation of the fiscal position and a new credible glide path or spending framework, alongside a transparent public-sector borrowing requirement, should be priority for the finance ministry.

Turmoil in the marketplace

FDI norms for e-commerce should be relaxed

A party that promised the business community a radical departure from the Congress' economic management appears to be copying its worst practices straight from the bad old days of the licence-permit raj. Last week, the government asked top e-commerce retailers Amazon and Flipkart, the Indian arm of Walmart, to furnish details of its top five sellers, investments, and commission agreement with vendors. The inaptly named Department for Promotion of Industry and Internal Trade (DPIIT) has sent both the e-commerce giants separate questionnaires, asking them to provide details of their capital structure, business model, and inventory management system. There are several questionable aspects to this move. First, the investigation has been initiated on a complaint from a brick-and-mortar retail traders' lobby, the Confederation of All India Traders (CAIT), which alleges that these online marketplaces have been violating norms on foreign direct investment (FDI) to report their highest ever sales over Dussehra.

This surge stood in stark contrast to the noticeably poor footfalls in brick-and-mortar outlets and undeniably pointed to high online discounts. It is unclear why the government should mobilise its own administrative capacity to launch this investigation when an independent competent authority in the shape of the Competition Commission of India (CCI) exists to deal with complaints of such restrictive trade practices. Given that the CCI has investigatory powers, it would have been appropriate for the CAIT to have referred its complaint to the CCI or for the government to have done so. The fact that the CAIT has been an enthusiastic supporter of the Bharatiya Janata Party may explain why the government has decided to defend its interests from deep-pocketed foreign-owned online platforms.

The CAIT's principal accusation is that Amazon and Flipkart have violated FDI norms by enabling deeper discounts, which undercut its member-retailers. These rules, which came into play in February this year, were designed specifically to protect domestic online and physical retailers and have no embedded economic logic. One, they debarred companies from exclusive marketing arrangements with foreign-owned online portals. Two, online entities with foreign investment cannot offer products sold by retailers in which they hold an equity stake. Third, online e-commerce giants are debarred from stocking 25 per cent of their inventory from a single vendor. Fourth, such online marketplaces were prohibited from manipulating the prices of products or offering deep discounts. If such micro-managed protectionism contradicts the spirit of a forward-looking globalised economy that India aspires to be, it also reflects a fundamental misunderstanding of the online business. Rather than being the product of undercutting, online discounts are the result of significantly lower distribution costs by eliminating one key element of the retail chain — the retail store. Suppliers to these online marketplaces may choose to leverage this competitive cost structure to offer deeper discounts during festive seasons. Physical retailers do the same thing but can never hope to compete because of higher cost structures.

Foreign marketplaces may well have been violating FDI norms. And by mobilising its political clout, the CAIT may well have introduced an irritant in their functioning. But if its members hope to extract lasting gains from these investigations, they are not only behind the curve but destined to fall behind even further as the Indian consumer embraces e-commerce, foreign or otherwise, with unpatriotic enthusiasm. The government would have done better to have relaxed its February press note rather than enforcing a level playing field.

ILLUSTRATION: AJAY MOHANTY



A week with investors

India is well-positioned to benefit from a slowing China, provided it drives a growth and reform agenda

I had the opportunity to spend a week in the US, attending conferences and meeting with global allocators. It was an interesting time to be meeting with investors. India had just announced the tax cuts and the UN general Assembly session was on in New York. The following are my takeaways as far as India goes.

1. There was strong interest in India, and in trying to understand the current situation. Most were pleasantly surprised by the tax cuts — not something they had expected from the Indian government. Questions were asked as to why a corporation tax cut, and not more focused demand creation measures. Most were intrigued as to why the authorities had not announced a middle-class tax cut or cuts in duties on certain goods and services. India is not known for being extra friendly to large corporations, MNCs and highly profitable companies, the main beneficiaries of these tax cuts. Some asked as to how companies will use the tax cuts and increased cash flows. As is well known, in the US, companies mostly pay out a tax windfall through higher buybacks and dividends. Investors were keen to know why Indian companies were different. There was excitement over potential further reforms. Strategic sale of government assets was seen as a big positive, as was talk of simplifying personal tax rates. Most felt that India still remains a very complex place. Lots can still be done to make it easier to do business in the country.

2. Most allocators accepted that India was at the bottom of the economic cycle. Five per cent GDP growth should be as bad as it gets. With both the fiscal and monetary policy levers now being pulled, the economy should begin to recover. It is also going to be one year since the NBFC crisis. The effects of the credit crunch will soon be in the base. Only a few thought that growth will not improve in calendar year 2020. The fiscal was a concern but most felt the trade off, to

risk a higher deficit to boost growth, was worth it. Every investor felt that the current posture of the Reserve Bank of India (RBI) to give equal weight to both growth and inflation was the right approach. A Fed-like dual mandate approach was much preferred to an ECB-like obsession with only inflation exhibited in the past.

3. There was concern as to why corporate profits have disappointed so significantly in India. Many asked as to whether there was some kind of paradigm shift driving lower corporate profitability in the country. Will there ever be regression to the mean? Everyone had seen the data or heard the numbers from India fund managers. In 2008, corporate profit-to-GDP in both India and the US was similar at about 7.5 per cent. Today, the same number in the US is over 10 per cent, while in India the profit share has collapsed to under 3 per cent. The tax cuts will drive an earnings upgrade, the first in over seven years. Investors accepted that the profit share cannot keep dropping. Most were willing to believe that we will see a period of strong corporate profits once the economy revives.

4. Though investors were willing to accept that both the economic and profit cycle had bottomed for India, the concern holding them back from adding money to the country was valuations. Looking at India from a top-down MSCI index perspective, the market was simply not cheap enough. Neither on an absolute basis, nor when compared to the broader emerging markets universe. Only a few were aware of the damage to stocks, below the surface. The mid-cap indices are down 30 per cent, from their peak in January 2018, with small-caps down 40 per cent. Quality trade has gone to an extreme, with a large portion of the market now simply seen as uninvestable. The price damage in selected stocks and sectors has been simply breath-taking. Many stocks are falling on low volumes in the absence of buying. If global allocators can be convinced that once they go beyond the top 50 companies, the Indian market is



AKASH PRAKASH

Taxing or trading our environmental sins?

Record-breaking temperatures and extreme weather events leave no choice but to act on climate change. At the United Nations, the prime minister announced a higher target of 450 gigawatts of renewables. India takes climate action seriously. But the less others act, the more India's development options get constrained by a shrinking global carbon budget. Renewables and energy efficiency are not enough; emissions must be reduced in industry and transport too. If India were to be more aggressive on mitigation — in the most cost-effective way — what instruments should it choose? Should we tax or trade our environmental sins?

India has used several measures in recent years: Perform, Achieve and Trade (PAT) for energy efficiency in major industries; Renewable Energy Certificates trading scheme; coal cess; and sectoral incentives (monetary and regulatory) to promote clean and efficient electricity. But these measures are not economy-wide and do not always translate directly into greenhouse gas mitigation. For more than a year, representatives from industry, academia and think-tanks have discussed direct mitigation instruments and developed a framework to evaluate options.

The first option is an Emissions Trading Scheme (ETS). An absolute cap on emissions combined with trading gives flexibility to businesses, promotes innovation and reduces pollution. Globally, over 50 jurisdictions have ETS markets. Complementary policies increase effectiveness. Policies that promote renewables, energy efficiency, incentivise fuel switching, improve building standards, or increase public transport have helped the EU and Californian schemes. Their experience suggests that administrative costs could be less than 1 per cent of total abatement costs.

India, too, has similar complementary policies. The PAT scheme shows that effectiveness increases when there are relatively fewer regulated entities. Regulating fewer upstream entities (say, a refinery) reduces administrative costs compared to many dispersed downstream points of emissions (say, millions of small industrial units). For its stage of development, India should choose either an increasing emissions

cap, or one based on emissions intensity of production. While consistent with its current policies, the choice would ultimately depend on international ETS market developments. Whether emissions permits are allocated by government or auctioned, it must be fair and transparent. If there were no global and equitable allocation of emissions allowances, could an ETS in India trade with other markets in China, Europe or North America? Could carbon and non-carbon credits be linked, to capture co-benefits of mitigation and adaptation? Answering such questions would help India design more fit-for-purpose ETS markets, with robust monitoring and verification, while continuing to reduce abatement costs.

A second option is a carbon tax. There are 26 carbon tax systems worldwide, which raised \$33 billion in 2017. By 2020, existing and planned taxes will cover about 5 per cent of global CO₂ emissions. Economists

debate whether a carbon tax should apply to two or more sources using the same rate per tonne of CO₂ equivalent (tCO₂e). Such a definition would exclude India's coal cess or excise duties on petrol and diesel. The real question should be: What tax would nudge behaviour? Relative prices that shift behaviours vary across sectors. From a sectoral perspective, carbon taxes have worked best when alternatives are readily available. Otherwise, the cost imposition does not translate into desired mitigation outcomes.

The hardest decision concerns the tax rate. It varies from \$3 per tCO₂e in Japan, \$5 in Chile to \$132 in Sweden. India's choice would depend on its priority: Social cost of carbon; GHGs abated; targeted revenues; or benchmarking against trading partners to maintain competitiveness. Tax rates could be further indexed to inflation (Iceland), gradually increase (France) or have formula-based adjustments to factor in macroeconomic conditions and technological advances (Switzerland).

Carbon tax revenues must be deployed justly and transparently. A revenue-neutral approach would reduce other taxes. Alternatively, governments could spend revenues on low-carbon infrastructure. The

actually reasonably priced, I would expect significant inflows. Valuation remains the single biggest pushback to increasing India weights.

5. There was deep disappointment over Indian corporate governance. Many were shocked with some of the recent instances of promoter fraud, leverage and balance sheet irregularities. Some of the disclosures in the financial services space in particular were deeply worrying. What were the auditors, rating agencies and regulators doing? The governance premium has increased and will continue expanding as more governance weaknesses are exposed. Allocators have been surprised by the extent of share pledges. Many argued India cannot be among the most expensive markets in the EM world with this level of governance.

6. Many allocators were aware that India was going through a clean-up of sorts, with many of the weaker companies and promoter groups being allowed to fall by the wayside. Most recognised that such a clean-up slows growth initially as the system adjusts. However, as the strong get stronger and gain share, the quality of growth improves and the economy recovers. Most also recognised that India has gone through a series of economic shocks over the past four years. First demonetisation, then the goods and services tax followed by the NBFC crisis. Thus the economy has not had the time to recover. Hopefully over the coming years, we can get back to a more normalised environment, and deliver our potential.

7. Most investors were surprised by the ferocity of the NBFC crisis. It truly has been a mini-Lehman moment for India. The crisis has effectively wiped out the business model of most of the wholesale players in the space. The cost to the economy has been enormous. Most blame the current slowdown largely to the funding challenges faced by NBFCs. Given the trust deficit, allocators felt that the RBI would have to provide comfort to investors on the quality of the underlying NBFC book. No one other than the RBI, they felt, could provide the comfort investors need to invest in the space. The only way the system will clear is by attracting private capital. Private capital has no trust in the rating agencies or auditors and needs comfort on the credibility of the disclosed asset quality and numbers. Only the RBI can break this knot. The disclosure obviously helps the two or three stronger NBFCs and the banks, as consolidation in the space is inevitable.

8. Most allocators were convinced that the tension between China and the US, was here to stay, irrespective of who is in the White House. Consequently, China will slow, and its economy has seen its peak growth. As it slows, at some point the leverage issues will surface. Most allocators were looking to increase their investments in Asia ex-China.

India has a real chance to attract flows over the coming year. Investors understand that both growth and earnings have bottomed and few are overweight the country. Allocators are looking for growth in a slowing world. Most still believe in the country's long-term potential. We are well-positioned to benefit, if we can only stabilise, not have another blow-up and be seen to drive a growth and reform agenda.

The writer is with Amansa Capital



INFLEXION POINTS
ARUNABHA GHOSH & VAIBHAV CHATURVEDI

The case for book publishing monopolies



KITABKHANA

T C A SRINIVASA-RAGHAVAN

The other day I told my son I'd buy him a book. His curt response was, "Get with it, man". He meant no thanks, only Kindle.

The next day I offered my 75-year-old sister to buy her a book on Kindle. "Don't

be an ass," she said equally curtly.

A few weeks later, I was travelling around in Europe. Old and young, though only a small percentage, had iPads. The rest had their phones. I didn't see anyone carrying a book. No one. Nor was anybody reading from a Kindle. On iPad they could have been reading anything but on Kindle it had to be a book. So no Kindle, no book.

I asked myself if people actually read books on their phones because in iPhones you can download the Kindle app. It can be done — I do it occasionally — but it's not much fun. It's ok if it's a short story, just about. But a whole book is a peak too far for most people.

Nevertheless, lakhs of books are now available for reading on screens. But how many people actually read them? No one has any idea. My son, however, says everyone reads books on screens. But publishers

say very few. Clearly, there is an information problem here that needs solving.

In any case there don't seem to be many bookshops left anywhere in the world. And shops that sold secondhand books have almost completely disappeared. What happens to old books, then?

That problem aside, are people buying printed books online the way I do and, increasingly, most people I know also do? The discounts are very attractive. That seems to be the obvious answer to the disappearance problem, not least because it raises some interesting questions about the economics of publishing.

Degrees of competition

Ideally, from a supply-demand viewpoint, book publishing should be a monopoly in each country because, first, it would allow much-needed scale which is currently

missing and which, secondly, would allow massive cross-subsidisation between subjects and even genres. But exactly the opposite situation obtains in almost all countries.

If you think about it, this monopoly-type thing has already (almost) happened on the distribution side because of huge online aggregating platforms who access from small booksellers. Gone are the days when there were book shops that specialised in particular subjects.

There is a completely non-sentimental reason this should happen on the production side as well now. The current cottage or micro-industry structure is completely idiotic from every point of view. It helps no one.

This will infuriate many people who think that a monopoly will suppress certain types of books. That objection sounds noble but suppression happens even now,

except it's not called that. It's called market insufficiency, which is jargon for "no one will buy this rubbish".

The worst offenders here are the small publishers who operate with very little capital and even less editorial quality control. In fact, the capital inadequacy means these publishers necessarily have to be picky. The lack of quality control means the opposite. It's ridiculous.

In contrast a monopoly, because it can cross-subsidise, is unlikely to suppress anything. It is highly volume dependent and volumes need more variety, not less.

In that sense it's no different from a soap company which needs a few, huge brands and scores of other less successful ones. At one time Procter & Gamble had 70 brands of body soaps.

Monopolistic exploitation

Another objection to a monopoly could be that it will increase the base price of all books. Even the prices of bestsellers could, or will, double for no good reason

at all. Greed will dominate pricing.

This is possible but not probable. I would like to see a single multi-brand monopoly that indulges in price gouging in its most successful brands. It is a problem but probably not a serious one in the books business.

Had it been so every publisher who signs up a bestselling author and thus becomes a monopolist would have exploited the opportunity because it would help the suppliers of books — the authors and the publishers — immensely. Both would make more money. But the opposite has happened. Bestsellers are the lowest priced. That's how the market works.

There remains the question whether if print nearly vanishes, would a monopoly be good for electronic books. Absolutely, because then even the distributor could be eliminated.

When will this happen? In the next two decades. It's happened to films. So why not books, too?

Opinion

TUESDAY, OCTOBER 22, 2019

OUT OF CONTROL

BSP leader Mayawati

Ever since the BJP government was formed in UP, every kind of crime and sensational incidents have been increasing in this big and important state, which has made life miserable for the common man



DISSECTING SLOWDOWN

HIGHER INCOME SEGMENTS ARE DRIVING GROWTH, AND WILL DO SO IN THE FUTURE. THE GOVT MUST PLAN DUTY STRUCTURES ON GOODS/SERVICES ACCORDINGLY

Get wiser about consumption to push growth up

ARINDAM BHATTACHARYA

Managing Director and Senior Partner, BCG
Views are personal



THESE DAYS I am often asked, "As a consultant, what is your prognosis of the current situation and expectations of the future?" My answer to the future is simply that in the long term, growth is driven by only two things: right demographics, and productivity improvement. On the former, there is no debate. On the latter, there are open questions. Reform agenda to harness the combination of entrepreneurial energy, new skills and industrial technologies, competitive factor markets, enabling infrastructure, and supportive regulatory regime are critical. The NDA government has continued the reform process, and the recent corporate tax cut is the third radical economic reform after IBC and GST (which, I agree, are still works in progress and needs fine-tuning). The Competitiveness Index recently released by the World Economic Forum placed India at number 68—a fall of 10 ranks from last year, which shows much work still needs to be done.

This article is not about the future, but the present, of what ails the economy. Experts have offered many reasons behind the slowdown, ranging from NBFC credit squeeze, risk averseness of bankers, high deficit (including off-balance-sheet debt) with falling savings rate squeezing out private investments, negative sentiments from overzealousness of tax and enforcement authorities, and stressed balance sheets of infrastructure companies to slowdown in real estate sector from combination of demonetisation, GST, and RERA. And, I am sure others reasons can be added to this list.

All these explanations are right, with different degrees of impact. The government has taken steps to address many of them, the latest being the bold move to cut corporate tax to promote investments. But, as some observers have pointed out, many of these measures are focused on stimulating the supply side, and will need a longer timeline to deliver benefits. We have to stimulate consumption, which contributes to just under 60% of GDP and is the biggest driver of growth in the short-term. This has become a bigger imperative as slowdown

in domestic consumption is not being compensated by increased growth in investments and exports. And, given some of the challenges outlined earlier and the unsettled state of the global trading regime, a rapid upturn in these two drivers of growth seems challenging in the short-term.

To develop effective policy options for driving demand, we must first understand what is happening to it. Here, we find an interesting pattern unfolding which can get obscured by media headlines unless we de-average carefully. For example, the headlines have been indicating the dramatic and continued slide in automotive sales and its impact. There is absolutely no doubt that addressing the short-term challenges of India's biggest industry is critical. The government has responded with several steps, like higher depreciation and removing ban on government vehicle purchase, to reverse this slide. Lower interest rates should also help. But, to me, the more interesting 'data' to note are anecdotes which suggest that sales of small-ticket mass consumption products—like glucose biscuits or bicycles—have fallen, and production volumes cut. This suggests that even mass consumer goods that were least impacted during earlier economic slowdowns are hit along with sectors like automotive this time. Surprisingly, at the same time, many higher-end brands across consumer categories continue to show robust growth. For example, in skin-care products, like moisturisers and body lotions, premium brands are growing much faster than mass brands. Similar patterns are observed across product segments ranging from shampoos to mobiles, and even alcoholic beverages. In motorcycles and cars, entry-

level brands are de-growing at a faster pace than premium brands.

Clearly, there seems to be differential slowdown of demand across categories, and inside a category. To understand root causes for slowing demand of even small ticket price mass consumption products, we have to de-average the income pyramid and consumption patterns, and understand and separate the historical shift in consumption pattern from the short-term impact of economic slowdown for effective policy interventions.

A decade ago, the discussion on consumption growth in India was all about 'Next Billion' (NB) households, i.e., households emerging from the lowest income segment, and starting their consumption journey. In 2010, the NB households and the next higher income segment (BCG calls them Aspirers) drove 60% of the total consumption, and were growing the fastest. Fast forward ten years, today, this share has fallen to around 40%, and in another decade, will fall further to below 30%. On the other hand, the consumption share of the top two income segments (BCG calls them Affluent and Elite) will have increased from less than 20% to slightly below 50%. So, clearly, the consumption pyramid and growth rates are undergoing a radical long-term transition. Higher income segments are driving growth, and will do so in the future. We have to understand this when we plan the duty structures on goods and services, and label some as luxury and others as mass.

Policy interventions must have differential targets to make them effective, instead having a one-size-fits-all approach

The big question in the short-term is why has mass consumption demand slowed down faster than this shift in consumption pyramid should suggest. Now here, I offer a hypothesis for consideration as I don't have enough robust data to back it up. My logic has three parts. First, while we have seen an average per capita growth of over 6% over the last few years, most of this has gone to the upper income segments of Affluent and Elite; NB and Aspirers have seen slower-than-average income growth. Second, the households in these lower income segments have been hit the hardest from the impact of demonetisation and GST as many of them would be engaged in the informal and SME sectors, which, reports suggest, have been badly affected. Combined with recent NBFC credit squeeze, the consumption of households in these two income segments has slowed down faster than the average. And third, this demand gap has not been compensated by the higher consumption (higher consumption rate * higher priced products) of the Affluent and Elite households. The reasons could be a combination of higher tax rate on 'luxury' goods, subdued 'animal spirits' from stagnation/volatility/erosion in value of real estate and stock markets—the main wealth vehicles—and negative sentiments from overzealousness of tax authorities as well as recent increase in personal income tax.

That brings me to my key conclusion. If we want to pull the consumption growth levers, we need to understand this de-averaged view, both the root causes of the short-term behaviour, and the long-term shifts. We have to design and target policy interventions differentially to make them effective, and not simply go with the more convenient option of a one-size-fits-all strategy. What that could be is something that I leave to the judgement of our policymakers.

How can govt ask Amazon, Walmart for supplier data?

Bad enough to change FDI rules after Walmart paid \$16bn for Flipkart, govt now wants data that can benefit their rivals

THE GOVERNMENT'S BLOW-hot-blow-cold policy approach towards global multi-brand e-retailers such as Amazon and Flipkart is perplexing since, apart from the fact that it is supposed to be trying to attract FDI, the same rules don't seem to apply to local e-retailers, many of whom also have foreign investors, even if not at the level of the retailing subsidiary. It doesn't help that these changes—the government insists they are merely clarifications of existing rules—come after global retailers have spent billions of dollars (\$1.6bn in the case of Walmart's Flipkart acquisition) to set up operations here, and have lakhs of employees as well as local suppliers.

Oddly, the government first allowed global players to set up shop in India via what is called the 'marketplace model' even though FDI is not allowed in multi-brand retail. But, after billions of dollars came in to set up millions of square feet of warehouses with world-class logistics, the government changed the rules frequently. In what is the latest change, the industry ministry wants these e-retailers to share details of the top five vendors supplying merchandise on their marketplace, the product categories they supply, their share of overall sales, the kind of support provided by the platform to these sellers (that probably means marketing margins and other commercial arrangements), the share of private labels in overall sales on the platform, where these are sourced from, etc. One could argue that the government is just trying to ensure the rules are being adhered to, but much of this is privileged information, and can quite easily get leaked to the competition. In any case, if the government can prove its rules are being violated, why doesn't it take action? The information has been sought following complaints by retailer associations like CAIT, which have alleged FDI norms are being flouted; they argue that while FDI is not allowed in multi-brand retail, these marketplaces are surreptitiously funding 'deep discounting', which is what is making customer flock to online marketplaces.

Having got the large investment, it would appear the government doesn't want to antagonise local retailers—also a big voter constituency. So, after it looked the other way when FDI came in by the billions using the fiction called the 'marketplace' model, the rules were changed—last December—to ensure that supplies by a vendor on a marketplace were capped at 25% if they had a common FDI parent. The new policy also prohibited e-tailers from exclusive tie-up with suppliers, like a mobile phone manufacturer, for instance. The rules also decreed that marketplaces should not discount prices, only manufacturers or sellers are allowed to do that.

While it is not clear what an appropriate or fair level of discounting is, amazingly, the same rules do not apply to local e-commerce platforms—many of whom also have foreign investment at the parent level—like those of Reliance Retail or Future Group. Also, 'deep discounting' has been permitted in other sectors; while incumbent telcos argued that RJio was indulging in predatory pricing by offering free calls and unbelievably low data rates, even the Competition Commission of India (CCI) refused to act on this. Indeed, while this was justified by arguing that RJio's market share was too low for it to be indulging in predatory pricing, the same should also apply to online e-retailers who have a market share of 1-2%. Also, since the government view was that consumers were benefitting from low tariffs, the same logic should hold for online shopping. It is true that foreign e-retailers have access to capital, but they are also investing billions of dollars in India, and thereby creating lakhs of jobs and allowing lakhs of MSMEs to find buyers across the country. If the government wants the huge amounts of FDI flowing into the e-commerce space, which it appears it does, it must stop pandering to every whim of local retailers; local retailers must learn to live with the competition just as steelmakers must stop demanding protection from imported products if the latter are cheaper.

Fighting fake news

Need more tie-ups like Mumbai cyber-cell with a startup

THE MAHARASHTRA CYBER police did well to tie up with a fact-checking app. Logically, to detect fake news and bias ahead of the assembly elections; Logically was monitoring social media platforms like Facebook, WhatsApp, YouTube, and Instagram for violations of the Model Code of Conduct, and reporting these to the Election Commission. It is not clear how many such violations were reported this time around, but during the general elections, going by law minister Ravi Shankar Prasad's reply in Parliament, a total of just 154 instances of fake news were detected by the Election Commission and reported to various platforms; given the kind of misinformation floating around on social media, the number looks quite small, suggesting the government has a long way to go when it comes to detecting and tackling fake news. Indeed, the government itself has been so worried about the proliferation of fake news, a year ago, it even asked all telecom service providers and internet service providers to explore how Instagram, Facebook, WhatsApp, Telegram, etc, could be blocked; the IT secretary had, at that time, even said he expected all platforms to behave in a responsible manner.

IT and telecom minister Prasad, in fact, has been having a running confrontation with social media firms on the need to share information with the government in a lawful manner in case there is such a need. Interestingly, the same point was made in a letter to Facebook chief Mark Zuckerberg by US Attorney General William Barr; the UK secretary of state, the US secretary of Homeland Security, and Australia's home minister were other signatories to Barr's letter.

While that is a larger battle that may not get resolved soon, the government would do well to keep engaging social media firms in finding solutions, and get more firms like Logically on a common platform to help track fake news faster on a 24x7 basis; indeed, some social media firms are doing similar work, and the government should help build on that. Barr's letter, in fact, said that more than 90% of the 18.4 million reports to the US National Centre for Missing & Exploited Children in 2018 were those made by Facebook (based on what it gleaned from people's posts/messages); his letter, as it happens, was warning Facebook that such complaints wouldn't be possible if the social network did end-to-end encryption of messages on it. WhatsApp, similarly, had tied up with factchecker BoomLive for detecting fake news, and even had the Hyderabad police on its app to do the same thing; those in the city could forward messages to the police on, say, a local gang of kidnappers, to get a confirmation. Ideally, nodal officers for all state police should be on the same fact-checking app, as should credible news organisations.

AYUSHmanBharat

Ayush should be covered under Ayushman Bharat, provided there are explicit treatment standards

GIVEN HOW THE government has been a staunch advocate of strengthening alternative medicine under the aegis of the Ayush (ayurveda, yoga, unani, sidha, and homoeopathy) ministry, it is rather odd that these forms of treatment have been kept out of cashless insurance coverage under the Pradhan Mantri Jan Arogya Yojana (PMJAY). While the Ayush ministry, as per a report in *Hindu Business Line*, has proposed the inclusion of 19 ayurveda, unani and sidha, eight yoga and six naturopathy treatments under PMJAY, health ministry officials seem to believe that including these under the scheme could lead to fraud, given how it would be difficult to control for leakages in a scenario where it is "difficult to ascertain that hospitalisation is for correct purposes".

While the ailments for which the Ayush ministry is seeking inclusion under PMJAY, including mental illnesses like clinical depression, can be treated or managed with allopathic treatment, bringing Ayush treatment under PMJAY is a key step towards encouraging alternative medicine. Experts say the lack of standardisation in treatment within Ayush disciplines means anybody can open up a centre and bilk the government and patients. The government must pay heed to this. Given how most alternative medicine is proprietary—for instance, the composition of most ayurvedic medicines is based not just on texts, but also on the practitioner's own tweaking of recipes—this will be a difficult proposition. Against such a backdrop, the Ayush ministry working with AIIMS to develop protocols for specific treatments, or using findings of scientific research to bolster evidence of efficacy, will help in the long run. The ministry, meanwhile, needs to focus on compiling treatment templates from the texts and making them available to the National Health Authority to make a stronger case for inclusion.

Growth outlook calls for rate-cut in Dec

Broadbased slowdown, if Diwali demand remains muted, may shave off 30 bps from BofAML's existing 6.2% GDP growth forecast for FY20. RBI should cut 25 bps in Dec, despite Oct inflation at 4.6%

INDRANIL SEN GUPTA & AASTHA GUDWANI

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

OUR UPDATED BOFAML India Activity Indicator continues to point to a broad-based slowdown for another quarter. This likely poses a further 30bps downside risk to our 6.2% FY20 GDP growth forecast. (We will review after getting a sense of the October 27 Diwali demand.)

Growth as per our India Activity Indicator dropped to 3.3% in August from 6.7% in July and 7.2% in April-June (see graphic). All its seven components slowed down from July. With the Diwali festival due earlier on October 27 from November 7 in 2018, activity should logically have picked up. Note our monthly BofAML India Activity

Indicator is a comprehensive high-frequency indicator of seven compo-

nents to gauge growth momentum of the Indian economy.

We expect RBI MPC to cut another 25bps on December 5 (see graphic) despite tracking October inflation at a relatively high 4.6% on a temporary onion price hike. As banks link their lending rates on retail/SME loans (~40% of bank book) to external benchmarks, like the RBI repo rate, this should reduce the cost of credit before the October-March 'busy' industrial season intensifies.

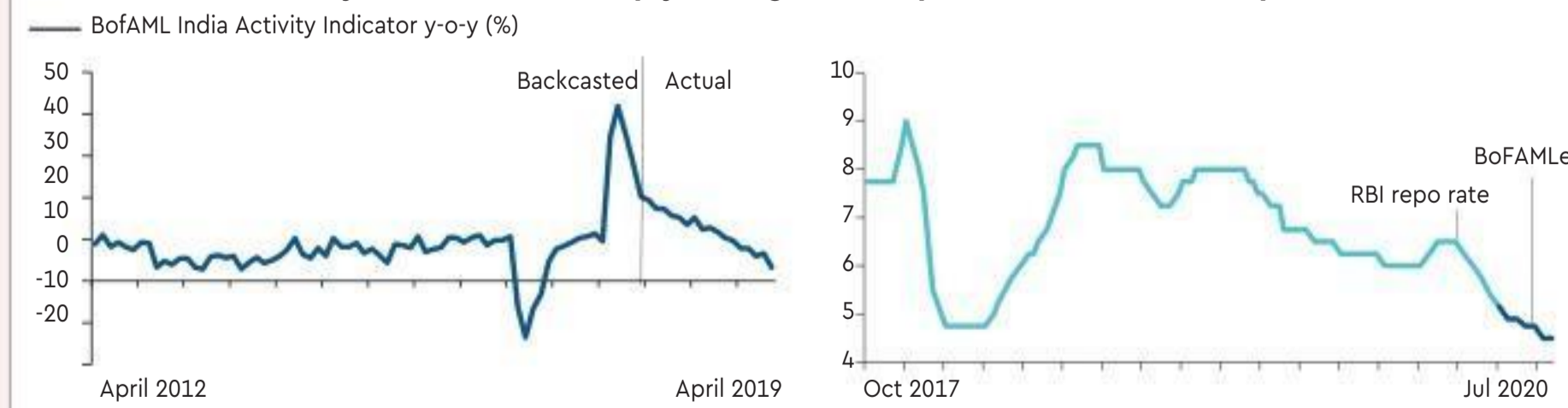
RBI stepping up durable liquidity to contain lending rates: We continue to expect the RBI to step up infusion of durable liquidity (\$20bn FYTD, \$40bn FY20 BofAMLe) to contain lending rates in the 'busy' season. Despite the recent

step up in public spend pushing the money market into a substantial temporary surplus; RBI has bought \$7-bn of FX recently to ensure adequate durable liquidity. Unless FPI flows revive, we expect it to resume OMO by the winter.

The MoF may cut income tax to stimulate demand if the on-going Diwali festival demand turns out to be really weak. We estimate that the Direct Tax Code's new income tax slabs, as reported in the media, will likely cost about 0.8% of GDP. Given that the corporate tax rate cut has already cost the fisc 0.7% of GDP, the bar for an income tax rate cut remains very high, in our view.

Edited excerpts from BofAML's India Activity Indicator (October 16, 2019)

BofAML India Activity Indicator fell sharply in Aug ...will push RBI MPC into 25bps rate cut on Dec 5



Broad-based slowdown as all constituents fell, auto led the fall

Component	2018							2019										
	Wt	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Real cash demand	35.7	29.9	26.6	24.8	22.9	20.8	19.9	18.2	19.7	19.0	18.1	16.6	13.9	11.8	11.4	9.7	9.9	9.7
Real credit	18.8	9.6	9.4	8.9	7.8	9.8	8.2	9.6	10.5	11.4	11.4	11.7	10.4	10.6	10.5	9.7	11.0	9.3
Traffic Index	16.2	8.5	5.8	6.4	8.0	7.7	6.8	8.8	5.1	5.4	4.6	2.5	1.7	-1.3	-1.4	-0.4	-0.4	-3.1
IIP	13.5	4.5	3.8	7.0	6.5	4.8	4.6	8.4	0.2	2.5	1.6	0.2	2.7	3.2	4.5	1.2	4.6	-1.1
Auto Sales	5.5	44.8	35.8	44.9	21.4	19.6	16.0	21.8	9.1	2.5	5.3	5.1	1.9	-2.8	-3.1	-4.3	-13.4	-19.2
Capex	5.5	6.7	19.7	12.3	19.9	25.5	14.1	22.7	7.7	14.9	5.2	-0.6	2.5	5.1	5.8	-5.3	-3.2	-15.1
Construction	4.7	20.7	12.6	13.8	10.7	13.9	11.4	17.5	9.1	10.9	10.5	8.0	15.1	2.7	3.3	-1.0	7.8	-4.2
BofAML India ACT	100.0	19.4	17.4	17.3	15.7	15.2	13.5	15.2	12.3	12.7	11.8	10.3	9.7	7.8	7.9	5.9	6.7	3.3

Source: BofA Merrill Lynch Global Research Estimates

LETTERS TO THE EDITOR

FATF not blacklisting Pakistan

With support lent by its allies, such as China, Turkey, and Malaysia, Pakistan had avoided the ignominy of being placed on the blacklist of the Financial Action Task Force (FATF) that acts against terror financing in the world. While India had been persistently mobilising international support to isolate Pakistan and put pressure on it to dismantle the infrastructure of terror being operated with impunity within its borders, there is no discernible sign yet on the ground to suggest that Pakistan has mended its ways and refrained from promoting cross-border terrorism. Countries like China and Turkey, which support Pakistan for their own strategic reasons, would do well to understand and appreciate the fact that turning a blind eye to acts of terrorism would only endanger the peace and stability of the world. — M Jeyaram, Sholavandan

Uncertain Brexit

Brexit was perhaps as misconceived as the efforts to give it a practical shape have been. British-Irish history had long been troubling finalisation of a Brexit deal. Despite the Irish political demarcation into The Republic of Ireland, a sovereign nation, and Northern Ireland, a part of the UK, both had managed to keep their bonds strong under the EU's economic umbrella. Brexit would be an anathema to this. To assuage Irish sentiment, the deal provides for a customs check protocol at port on Irish Sea, rather than a hard border within. This could well have been done three years earlier. In voting for a delay to pass the Brexit accord by October 31, 2019, the MPs have yet again chosen pedantics over pragmatism. Brexit stays as uncertain as ever. — R Narayanan, Mumbai

Write to us at feletters@expressindia.com



PORTRAIT: SHYAM KUMAR PRAASAD

● **RECORD CAFE: CHANDRA BHUSHAN, ENVIRONMENTALIST**

There's utter confusion on plastic waste regulation in the country

India intends to move away entirely from single-use plastics by 2022. Prime Minister Narendra Modi even mentioned the goal of making India a plastic-free nation in his speech at the United Nations General Assembly last month. Yet the fact is India hasn't had much success with plastic waste regulation despite ambitious policy moves. Environmentalist Chandra Bhushan tells FE's Sarthak Ray what ails India when it comes to meaningful action on reducing plastic waste. Excerpts:

What does India's plastic regulation provide for, and where does it fall short?

We have many regulations on plastics. The big one, of course, is the Plastic Waste Management (PWM) Rules, 2016, with specific obligations for every stakeholder in the plastic supply-chain, including the extended producer responsibility (EPR) for producers, importers, brand owners.

The Solid Waste Management Rules (SWM Rules), 2016, also have provisions for plastic waste, including EPR. But there is a difference in EPR provisions under SWM Rules and PWM Rules. SWM Rules say that manufacturers/brand-owners shall provide financial responsibility (EPR) for producers, importers, brand owners to collect waste through their distribution channel or the local body concerned.

The Biomedical Waste Management Rules, 2016, mandated phase-out of chlorinated plastic bags, gloves and blood bags

within two years. This has not happened.

Then there are state regulations banning single-use plastics (SUP). Odisha has defined SUP as polythene carry-bags, bottled water of less than 200ml, disposable cutlery made of thermocol and plastics and decorative materials (flower and the likes) made of thermocol. UP has excluded 200ml plastic water bottles and decorative materials, and included disposable tumblers, in the definition of SUP. Tamil Nadu has defined SUP as "use and throw plastics," which include plastic carry-bags, flags, plastic sheets used for food wrapping and spreading on the dining table, plastic plates, plastic-coated cups, tumblers, water pouches and packets. So, states have a different definition of what constitutes SUP.

Frankly, there is utter confusion on plastic regulation in the country. It's time we brought synergies in the rules and developed a national definition of SUP.

India has tried to regulate plastic pollution for at least two decades now. And yet nearly every stakeholder seems ill-prepared. Is regulation the problem, or is it industry and consumers who have simply failed to respond?

The problem is with regulations, and with consumer awareness and industry's status-quo approach. Consumer apathy is at the core of the problem. We all talk about plastic pollution, but end up using polythene bags. We crib about dumpsites, but litter ourselves, and waste segregation is still to take off meaningfully. The industry has not been very responsible either. Despite knowing the problem, it has kept

waiting for the government to bring regulations. No company in India has shown leadership in dealing with plastic pollution.

We enact regulations, but don't plan for implementation. For example, we don't give enough time to the market or local governments to adapt to new rules. Also, our approach to rule-making is command-and-control or ruling with a stick, to be precise. The experience of the past 20 years should have made it clear that regulations and penalties are not sufficient to eliminate the use of SUP. We need a transformation in the market and the municipal services to achieve this. This will require both sticks and carrots.

EPR has been part of Indian regulation for some years. Yet not much seems to have happened here...

Current EPR provisions are designed for failure. For instance, we can mandate and enforce EPR on the formal sector, but they account for only 50% of multilayer plastic use. Small businesses and the informal sector use the remaining 50%. How do you enforce EPR on them?

Also, big companies outsource their EPR to plastic recycling organisations (PROs), which are supposed to collect plastic wastes on behalf of the companies and send them for recycling. But there is evidence that PROs are involved in double-counting and data-fudging. I don't think the PRO model will be useful in fulfilling EPR obligations.

A fundamental mistake we are doing is by separating plastic waste management from the wider municipal waste management. Proper plastic waste management will only happen if there is good municipal waste management. EPR provisions will have to be designed for this reality.

Shouldn't we be, more focused on recycling than bans, given almost 40% of the plastic waste generated in the country remains uncollected?

We will have to do both. Ban those products that are not required or have an alternative, and improve recycling.

Today, all the valuable plastics are recycled in the country. In fact, India has one of the highest rates of plastic recycling. What is not recycled is multilayered plastics (MLPs) or plastics that are too contaminated with other wastes.

To increase recycling, we must improve segregation of waste at source and improve the collection and transportation of segregated wastes. Currently, the unsegregated waste contains a lot of contaminated plastics. If the plastic waste is dirty, smeared with food, it doesn't enter the recycling value-chain as it is not viable to invest effort and resources in cleaning up the plastic to retrieve recycling potential, if any.

Similarly, as MLPs contain several polymers, they can't be recycled. At best, they can be incinerated in cement plants, used as a refuse-derived fuel (RFD), used in road construction or for making down-cycled products. As they fetch a lower price, they are not collected. To deal with MLPs, waste segregation and collection becomes very important. That is why I have kept arguing plastic waste management can't be treated as separate from solid waste management.

The government has certain thickness plastic carry-bags below a certain thickness (50 microns). Does this help in any way?

The argument in favour of thicker plastics it makes plastic carry-bags costlier and discourages use-and-throw culture. Also, a thicker plastic waste fetches a higher price and hence is likely to have a higher recycling rate. This argument ignores many ground realities. Firstly, recycling rate depends on segregation and collection, and not only price. Secondly, this is not likely to reduce the amount of plastic in the environment. If people completely shift from thin plastic carry-bags to thicker ones, total polymer consumption might increase. So, if the vision is a plastic-free India, then the first step should be "less plastics" and not more. Lastly, this regulation will only work if people do along with affordable alternatives. So, along with banning thin plastic carry-bags, the government should also promote options like textile or paper bags.

How is the lack of alternatives to plastic hindering plastic waste management?

Alternatives don't come about on their own; they require deliberate government action. In countries where alternatives have been developed, fiscal tools have been used to either make plastics very expensive or make alternatives cheaper. We have not used economic tools so far. The private sector will invest in developing and producing the replacement when they know the government is serious about enforcing the ban. A combination of economic and regulatory tools is required to incentivise quick entry of alternatives in a viable manner.

Are there any examples globally of meaningful plastic waste regulation?

Globally, plastic waste regulation is about better segregation, collection, and then disposal. The focus is not so much on the end-of-the-life reuse/recycling. This is the reason why, globally, more than 90% of the plastics are not recycled.

Take the case of Sweden, which is considered to have one of the best plastic waste management systems. Its plastic recycling rate is meagre, as it burns most of its plastic waste to generate electricity.

Other developed countries, like the US, have outsourced plastic pollution. They consume a lot and then ship the waste to developing countries. Earlier, China was their dumpyard, but now, given China and India banned import of plastic waste, these countries are looking towards Africa.

As far as banning SUP is concerned, the discussion has started only a few years ago and a few developed areas, like the EU and Canada, have regulations and timelines on the ban. But so has India and a few other developing countries.

Frankly, developed countries are not exactly a guiding light on plastic waste management.

Some existing solutions, such as recycling for road construction, incineration for energy generation, etc, come with their own set of problems. They are widely seen as a polluting bit in the plastics life cycle...

It is essential to understand that a plastic product cannot be recycled forever. As plastics are produced from hydrocarbons, at some point they have to be either incinerated in cement or power plants or used to recover oil or dumped in the landfill or used for producing some long-lasting products. Therefore, the plastic life cycle eventually is "from oil to oil" or "from oil to ash (incineration)". So, we will have to develop state-of-the-art facilities for energy recovery and conversion. There is no way out.

There are obvious environmental benefits of using plastics in road construction. Studies show that the life of the road is enhanced and the maintenance requirement is reduced. But, ultimately, plastic fibres, either as micro-plastics or in some other form, will eventually move out of the road into the environment. We do not yet understand the impact of this and hence must study this issue further.

How can industry course-correct? Packaging and logistics are a big part of the problem (packaging accounts for 43% of plastic manufacture in India).

The announcement by the PM to ban single-use plastics by 2022 has undoubtedly forced the industry to look for alternatives. I've been advising the industry to address this problem from four fronts:

► **Design for recycling.** Instead of using multiple polymers in packaging like multilayered plastics, they should be shifting to single polymers that will aid recycling. This can be done quickly.

► **Reduce the weight of packaging and the need for packaging.** There is a vast scope to reduce plastic consumption here. This is again a short- to medium-term goal.

► **Start developing, substituting plastic with alternatives.** This is something that they need to start working immediately, but this is a medium- to long-term goal.

► **Start working closely with the local authorities to ensure littering is minimised and the collection of segregated plastics is maximised.** This will reduce visible pollution, enhance recycling and end-of-life use.

REGIONAL CAFE: TAMIL NADU

CHENNAI'S WATER WOES have faded from news headlines in the last few weeks. Everyday some bit of good news has been trickling in ever since the skies opened up at the end of August after a gap of 400 days. The Southwest monsoon has eased the city's water crisis as it brought a surplus of 30% rainfall in the September, the highest since 2014. The two neighbouring states, Andhra Pradesh and Karnataka, have been more than willing to release water from their overflowing rivers, Krishna and Kaveri, to feed Chennai's water reservoirs.

Chennai's water crisis went global when Hollywood star Leonardo DiCaprio tweeted about it in June. The Washington Post and other Western papers and TV channels too gave it prominence with pictures of colourful plastic pots to collect water with colourful plastic pots. The crisis caught everybody's imagination.

However, women waiting for water is not a new phenomenon. Even during years when the monsoon doesn't fail and Chennai doesn't run dry, women still have to use pots to take water home from corporation storage containers. Tap water has not been available for slum and tenement dwellers even in the heart of the city. Women have had to climb several floors to take water up to their tiny flats. Men who are usually under an alcoholic stupor cannot wake up early enough to fill containers.

According to 2011 Census, Chennai had a population of over 24 million. Now it is possibly a little over 12 million. The city

Running out of water, and time

Chennai can no longer depend only on surface and groundwater sources

SUSHILA RAVINDRANATH

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does not have a perennial water source. There are four lakes outside the city that are fed mostly by rains from the Northeast monsoon. On June 18, 2019, they all ran dry, leaving the city in severe crisis.

The city's average rainfall is 1,400mm. After the floods of 2015, when Chennai nearly went under water, there were hopes that acute water shortage will not occur for several years. That was not to be. With two successive droughts and no rain for 400 days, Chennai reached its 'day zero' in June when all its four major reservoirs ran dry.

Chennai Metrowater's total water supply for the people is about 830 million litres per day (MLD). The reservoirs supply 65% of the water. Groundwater accounts

for 9%, desalinated seawater 16%, and 10% reclaimed wastewater comprises the rest. In June, the total supply got reduced to less than half. Desalinated water, Veeranam Lake and some peripheral sources helped Metrowater supply dribbles of water when Chennai was fast drying up.

There have been frenetic rainwater harvesting (RWH) activities to charge fast depleting groundwater. Installation of RWH systems and upgrading existing ones are big businesses now. So is domestic borewell digging. Communities are also attempting to desilt and rejuvenate many small water bodies. Water experts say that these are necessary initiatives to recharge groundwater, but are not the solutions for



the city's water crisis.

There have been similar crises many times. By the 1990s, the state government started working on several water augmentation schemes and came up with some solutions in the 2000s. The supply of water from Veeranam Lake in Cuddalore district to Chennai to meet the city's drinking water requirement and the Telugu Ganga scheme to bring Krishna river in Andhra to Chennai were completed in the middle of 2000s. A 100 MLD desalination plant went operational in 2013. RWH was made compulsory for all households.

The authorities rise to the occasion whenever there is a crisis and come up with innovative solutions like bringing

water by train, finding water in quarries, and so on. These have been patchy and temporary solutions. This year's crisis has showed that Chennai can no longer depend only on surface water and groundwater sources. To do something more permanent and climate independent, strong political will is required.

Worldwide water use for agriculture is 70%. In India it is 90%. Even in Chennai metropolitan area it is 80%. Households consume only 10%. India is known to be highly inefficient consumer of water for agriculture. Drip irrigation has not been given as much attention as it should have been in the state. Tamil Nadu should get more serious about changing cropping

An agreement to agree

SUBHASHREE R

Advocate, Lakshmikumaran & Sridharan. Views are personal

Bringing uniformity in double taxation avoidance agreements through MLI

INDIA RECENTLY RATIFIED the MLI. Officially termed as the Multilateral Convention on Measures to Check Base Erosion and Profit Shifting, MLI is an attempt by nations to bring amendments to the language of the bilateral double taxation avoidance agreements (DTAAs) in a uniform manner. India signed MLI in June 2017 and deposited the instrument of ratification on June 25 this year. The provisions of MLI will impact the provisions of different DTAAs starting from April 2020 onwards.

MLI requires signatory nations to provide for a minimum standard to prevent treaty abuse and improve dispute resolution mechanism. The aim is to ensure entities do not take advantage of differences in the wording of DTAAs resulting in double non-taxation like the case of a global coffee chain in the UK. MLI contains model articles pertaining to permanent establishments (PE), limitation of benefits clause that would limit treaty benefits to only those who qualify as residents of a treaty country rather than shell entities, binding arbitration, and so on. Nations may choose one or more of DTAAs to be a covered tax agreement (CTA), and opt for one or more articles to be incorporated in the existing bilateral treaty. Post ratification, the MLI provisions will have to be read into bilateral treaties. This is hailed as an efficient way to amend treaties without having multiple bilateral negotiations. MLI also seems to provide a better and faster route to bring certainty in interpretation of treaty provisions for both the non-resident taxpayer as regards taxability and for the resident as regards withholding obligations.

India has notified DTAAs with 93 countries as a CTA. But a closer look at the reservations—option by a country not to amend a certain article—suggests India may not have moved forward to counter treaty abuse. Some of India's major trading partners like China, Germany, Switzerland and Mauritius have not notified India agreements as a CTA. Hence, any change to the DTAAs will be effected only through bilateral negotiations. Article 30 of MLI provides a leeway to nations to effect other changes to the treaty by bilateral negotiation even if they haven't chosen amending provisions as per MLI.

A debated issue is the avoidance of creation of a PE, generally referred to as an agency PE—it's created if the person who, working on behalf of the foreign entity (FE), can bind the FE. Thus, it was possible for a person to undertake all activities short of contractually binding the FE, and then claim no PE was constituted. India amended the definition of business connection in the domestic legislation (Income-tax Act) to state that if a person has authority to contract or habitually contracts on behalf of another or habitually plays the principal role leading to conclusion of contracts, then it would constitute a business connection and, thus, income attributable to such activity would be taxable in India. Prior to the amendment, these provisions mirrored the provisions of agency PE in DTAAs. The amendment brought the domestic law largely in line with the language in MLI. But in case the treaty partner does not opt for change in language as per MLI, then the language of the domestic law cannot prevail over the treaty. Thus, amendments to the domestic law *per se* may not yield the desired results for India in the absence of corresponding amendment in DTAAs.

Many treaty partners have not notified Article 14 of MLI (avoidance of tax by splitting up of contracts). Entities can divide the work among various related enterprises such that no activity falls within the time threshold required to constitute an installation PE or a construction PE (in respect of project sites). The attempt to bring uniformity in language of the treaties and address tax evasion through MLI is laudable. A model draft with nations opting one or more of the articles is definitely a quicker way to amend the treaty. However, nations will seek to protect their stated positions or negotiated positions, and the certainty sought by business as regards taxation by a country and relief from double taxation may yet be elusive. What MLI achieves is perhaps an agreement to agree.

patterns to grow less water-intensive crops. Experts say that farmers should be persuaded to switch over to reclaimed wastewater wherever possible for irrigating non-food crops. The state government has to start giving priority to conserve and preserve water usage for agriculture.

Wastewater treatment has to be given priority. Water-short countries are moving rapidly to recycling wastewater for all uses. K Ashok Vardhan Shetty, IAS, former chairman of Chennai Metrowater, says, "Even if 30% of Chennai's present quantity of wastewater is reclaimed for reuse, an additional 250 MLD of water will be available. Reclaimed wastewater should be mandated for non-potable uses in industries, construction, gardening and landscaping, large apartment blocks, and so on."

Poor water pricing has been a major problem. It has resulted in inefficient use of water, lack of funds for improving infrastructure and investing in new technologies which are now available and are cost-effective. Free and highly subsidised water is no longer viable. Water pricing is a difficult decision for a state that believes in freebies. Shetty says that as water metering in households is not in place, Metrowater must install metres at various transmission and distribution points to identify precisely where leakages occur.

The city is dependent on the Northeast monsoon, which is a few days away. If it fails again, Chennai will be in dire straits. It's time the government and communities came together with the help of technology to work on long-lasting solutions.

TELLING NUMBERS

IITs dominate India rankings, IIT-Bombay and IISc on top

ON TUESDAY, the QS Indian University Rankings were released — this is the second edition of the standalone rankings for India's higher education institutions. The rankings include public, private, higher education or deemed universities.

The Indian Institutes of Technology (IITs) dominate the list, with seven IITs figuring in the top ten rankings. Like last year, IIT-Bombay leads followed by the Indian Institute of Science (IISc). This year, IIT-Delhi has improved its performance by one rank to overtake IIT-Madras. IIT-Delhi now stands third in the ranking. Delhi University, University of Hyderabad and the Indian Institute of Science are the only other non-IIT institutions in the top ten. Among the top 10, the rankings of the University of Hyderabad and Indian Institute of Technology, Madras have fallen by one spot each.

The methodology used eight indicators to determine the institutions' rankings. These were: academic reputation (weight of 30%), employer reputation (20%), faculty-student ratio (20%), the proportion of staff with a PhD (10%), papers per faculty from Scopus database (10%), citations per paper from Scopus database (5%), the

proportion of international students (2.5%), and the proportion of international faculty (2.5%).

"Academic reputation," the indicator with the highest weight, was based on QS's major global survey of academics who are asked to identify top-ranking institutes in their fields of expertise. The "proportion of staff members with a PhD degree" reflects the institution's commitment to hiring highly qualified faculty members, and the score on "international faculty" and "international students" reflects an institution's global appeal and reach, according to the rankings. The score on "citations per paper" is an indicator of research productivity, which is based on the number of research papers published per staff member.

These India rankings do not necessarily match the QS World University Rankings that were released earlier this year. In that list, IIT-Bombay has been ranked the best Indian institution and IIT-Delhi the second best. The two rankings use different criteria — for example, while academic reputation is given a weight of 30% in the India University Rankings, its weight is 40% in the World Rankings.

QS INDIA RANKINGS: THE TOP 10

INSTITUTION NAME	2019	2020
Indian Institute of Technology, Bombay	1	1
Indian Institute of Science (IISc), Bangalore	2	2
Indian Institute of Technology, Delhi	4	3
Indian Institute of Technology, Madras	3	4
Indian Institute of Technology, Kharagpur	5	5
Indian Institute of Technology, Kanpur	6	6
University of Delhi	8	7
University of Hyderabad	7	8
Indian Institute of Technology, Roorkee	9	9
Indian Institute of Technology, Guwahati	10	10

THIS WORD MEANS

SKIN-ON INTERFACE

Touch technology aims for next level of interaction

RESEARCHERS FROM the University of Bristol in partnership with Telecom ParisTech and the Sorbonne University in France have developed a skin-on interface that mimics the appearance of human skin and its ability to sense. This development could take touch technology to the next level for interactive devices such as phones, wearables and computers.

The interface is made up of layers of silicone membrane. It is, therefore, more natural than the hard casing of phones, and can detect gestures made by end-users. The artificial skin allows the device it is on to "feel" the user's grasp, including its pressure and location. Therefore,

it can detect interactions such as tickling, caressing, twisting and pinching.

Dr Anne Roudaut who supervised the research said, "This is the first time we have the opportunity to add skin to our interactive devices. The idea is perhaps a bit surprising, but skin is an interface we are highly familiar with so why not use it and its richness with the devices we use every day?"

While artificial skin has been studied in the field of robotics, the aim of those studies was either cosmetic or focussed on safety. This is the first time that the uses of "realistic" artificial skins are being considered for augmenting devices.

SIMPLY PUT QUESTION & ANSWER

Brexit: New deal and old jam

The UK is days away from its scheduled Oct 31 exit from the EU. But there are still too many balls up in the air; the road ahead still unknown. PM Johnson got a deal from Europe, but has been thwarted by UK MPs.

EXPRESS NEWS SERVICE NEW DELHI, OCTOBER 21

LATE ON Monday evening India time, the Speaker of the House of Commons of the United Kingdom, John Bercow, refused to allow a second vote on Prime Minister Boris Johnson's Brexit deal with the European Union (EU), denying him another shot at persuading MPs who had defeated a similar motion on Saturday.

The UK is scheduled to leave the EU in 10 days. Johnson's deal will come into force only after it is approved by parliaments of the UK and EU. The government attempted a 'yes-no' vote on Saturday, but was humiliated after a majority of MPs approved an amendment that said the deal would not have effect before it was written into UK law by the passage of a Withdrawal Agreement Bill (WAB).

The government will now introduce the WAB, and the first vote will likely come Tuesday. But MPs will push for amendments, some of which can be expected to attempt to change some fundamentals of the deal. It is not clear the process can meet the October 31 deadline.

The current sequence of events in the complex and deeply divisive Brexit process began with Johnson working out a new deal with the EU, which differed in some key aspects from the one proposed by his predecessor Theresa May.

What was Boris Johnson's new deal?

Late Thursday (October 17) evening, the UK and EU reached an agreement over a new version of the Brexit deal, which replaced the contentious "Irish backstop" plan in May's deal with new arrangements that would prevent the return of the 'hard' border between Northern Ireland (which is a chunk of UK territory in the northeast of the island of Ireland) and the Republic of Ireland (or simply Ireland, which is a separate country comprising the rest of the island, and which remains a member of the EU). This was a key breakthrough; no party wants a 'hard' border with elaborate checking infrastructure that could become a target for militants.

It was agreed that as the UK leaves the EU Customs Union, a legal Customs border would exist between Northern Ireland and Ireland, but the actual Customs border would be between Great Britain and the island of



Anti-Brexit protesters outside Parliament in London on Monday. Reuters

Ireland — and that goods would be checked at the "points of entry" in Northern Ireland.

At the points of entry, duty will be payable on only those goods flowing into Northern Ireland from Great Britain, which are "at risk" of being sent onward into Ireland, which is part of the EU Customs Union. The list of these "at risk" goods will be drawn up by a joint UK-EU panel. In case a firm ends up paying duty on goods that stay in Northern Ireland and are not transported to the EU, the UK will issue a refund.

On regulation of goods, Northern Ireland will follow rules of the EU single market. There will, thus, be no need for standards and safety checks at the Ireland-Northern Ireland border, both sides of which will be under an "all-island regulatory zone". The checks will instead be between Northern Ireland and the rest of the UK (which will no longer follow EU rules).

The EU law on Value-Added Tax will apply in Northern Ireland on goods, but not services. Northern Ireland can have VAT rates different from those in the rest of the UK — which means it may have the same rates as in Ireland, so that neither side has an unfair advantage.

The rules will be enforced by the UK at points of entry into Northern Ireland, but EU officials will be present, and be able to inter-

vene. The deal gives the Northern Ireland Assembly a say in Customs and other EU-related matters — but it will not be able to exercise this vote until four years after the transition period ends in December 2020 (that is, until January 2025) and, in case it rejects these provisions, they would still be in force for another two years.

The transition period (during which current rules will apply as the UK and EU negotiate their future relationship) was until the end of 2020 in May's deal as well. It can be extended by one or two years if both parties agree. UK citizens in EU, and vice versa, will retain their rights of residency and social security post-Brexit. UK and EU nationals will be able to live and work on either side, and continue to move freely during the transition period. The UK will settle its financial obligations to the EU — the bulk of this "divorce bill" will be contributions to the 2019 and 2020 EU budgets.

How did MPs react to Johnson's deal?

On October 19, the House of Commons cleared an amendment which said that even if MPs supported the Brexit deal, it would not have effect until Parliament passed legislation — the WAB — to implement it.

FACT CHECK, GROUND REALITY

Why Australian dailies 'censored' front pages

ON MONDAY, Australian newspaper readers had an unexpected experience — no matter which paper they picked up, the front page carried text that was blacked out — as if it had been redacted by the government. The decision to "cancel" the front page was carried out by a media coalition across print, TV, radio and online portals, called the "Right to Know" and saw rivals such as News Corp Australia (which publishes *The Australian* and *The Daily Telegraph*) and Nine Entertainment Co. (which publishes *The Sydney Morning Herald* and *The Age*) join forces. The newspapers' move was followed by a blackout on prime time TV slots.

Restriction of media freedom
The move was in response to the progressive hardening of national security laws over the past two decades by successive governments that have not only undermined inves-

tigative journalism but also criminalised it. In June federal police raided the home of Annika Smethurst, a News Corp Australia journalist, who was investigating a plan that allowed the government to spy on Australians.

A central demand of the Right to Know coalition is that the government exempts journalists and whistleblowers from a counter-espionage law that was introduced last year. Without the exemption, journalists contend, it won't be able to report on sensitive information. ABC managing director David Anderson said Australia was at risk of becoming "the world's most secretive democracy".

No exceptions, says the govt

While underscoring the importance of press freedom, Prime Minister Scott Morrison has said that the "rule of law" cannot have exceptions for any journalist.

EXPRESS NEWS SERVICE



The campaign on the front pages of major dailies Monday. AAP via Reuters

As Diwali approaches, where do cleaner 'green crackers' stand?

SHIVAM PATEL
NEW DELHI, OCTOBER 21

WITH LESS than a week left for Diwali, there is no clarity on the types of firecrackers that individuals and families conscious of reducing their pollution footprint should buy. Air quality, especially in North India, meanwhile continues to get steadily worse.

In October 2018, the Supreme Court had ruled that only "green firecrackers" having low emission and permissible sound limits were to be sold and used. It had also fixed a timeslot for fireworks — between 8 pm and 10 pm on Diwali, and between 11.45 pm and 12.30 am on Christmas Eve and New Year.

This decision followed a complete ban on the sale of firecrackers in Delhi by the Supreme Court in November 2016 after the national capital witnessed a severe episode of smog, described by the Centre for Science and Environment as the worst in 17 years.

This year, on October 5, in a bid to combat air pollution, the Union Ministry of Science and Technology launched environment-friendly firecrackers developed by the Council of Scientific and Industrial Research (CSIR) laboratories.

What are 'green crackers'?

CSIR-NEERI (CSIR-National Environmental Engineering Research Institute) states that it has been working since January 2018 to develop new and improved formulations for reducing emissions from fireworks.

"CSIR-NEERI developed new formulations for reduced emission light and sound emitting crackers (SWAS, SAFAL, STAR) with 30% reduction in particulate matter using Potassium Nitrate (KNO₃) as oxidant".

In other words, the "green firecrackers" are supposed to have a changed composition of chemicals, and emit 30% less particulate matter when burned as compared to traditional firecrackers.

What is particulate matter?

Particulate matter is a mixture of solid particles and liquid droplets suspended in the air. These include PM₁₀, which are particles with a diameter equal to or less than 10 micrometres, and PM_{2.5} that are of diameter equal to or less than 2.5 micrometres.

Numerous studies have linked particulate pollution exposure to many health problems, including premature death in people with heart or lung diseases. They can also settle on ground or water and, depending upon their chemical composition, may



Green firecrackers on sale near Jama Masjid in Delhi last week. Shivam Patel

have an adverse impact on them.

Could conventional crackers have been tweaked to obtain similar results?

They could, and they have been modified. Apart from 'green crackers', there are other formulations based on new oxidisers,

fuel and additives — singly or in combination — which have managed to reduce PM₁₀ and PM_{2.5} emissions by more than 50%. These are being tested at present, and are showing encouraging results.

Other than these new formulations, CSIR-NEERI also teamed up with fireworks

manufacturers and "examined and assessed the possibilities of improvements in conventional formulations based on barium nitrate to meet the stipulated norms of green crackers". This effort too has produced some results. For instance, there is a light-emitting cracker that has partially substituted barium nitrate with potassium nitrate and strontium nitrate.

How do 'green crackers' work?

Dr Sadhana Rayalu, chief scientist and head of NEERI's Environment Materials Division (EMD), said the firecrackers use a proprietary additive that acts as a dust suppressant. She added, "The usage of chemicals is less in green crackers. The total quantity is being maintained by using CSIR proprietary additive... which on fragmentation releases dust suppressants."

Some of the 'green crackers' have also replaced barium nitrate as an oxidiser for combustion. Barium nitrate hurts health when inhaled, causing irritation in the nose, throat and lungs. High exposure to barium nitrate can also cause nausea and irregular heartbeat.

Among the new firecrackers developed are environment-friendly versions of traditional *anar*, *chakri*, sparklers, and other light-sound emitting firecrackers.

According to NEERI, these exploit the exothermic heat of materials such as zeolite, clay and silica gel for burning, and also match the performance of commercial firecrackers in terms of sound.

How can a 'green cracker' be identified?

Union Minister Dr Harsh Vardhan has said a Quick Response (QR) code will be put on the firecrackers to differentiate them from conventional ones. He has also said the cost of these firecrackers would be the same as conventional ones, and that they are already available in the market.

How are 'green crackers' produced?

Under the current framework, the composition of firecrackers is disclosed to manufacturers after signing of a Memorandum of Understanding and a non-disclosure agreement. Following this, manufacturers have to apply to the Petroleum and Explosives Safety Organisation (PESO) for authorisation.

The samples thus produced are submitted to CSIR for emission testing. Nearly 165 fireworks manufacturers had been roped in for production, and around 65 more were in the process of coming on board as of October 5.



The Indian EXPRESS

FOUNDED BY RAMNATH GOENKA

BECAUSE THE TRUTH INVOLVES US ALL

SCAPEGOAT HAJELA

Trouble with NRC lies in its flawed vision. Now, Supreme Court must guard against its capture by political interests

THE UPDATING OF the National Register of Citizens (NRC), monitored by the Supreme Court over the last six years, has been a politically fraught exercise. The final list, published on August 31, turned out to be contentious and several political groups, especially the BJP, which heads the government in Assam, criticised it as erroneous. The bureaucrat who spearheaded the exercise, Prateek Hajela, has ended up as the main target of all those who have found the NRC unacceptable. With BJP leaders in Assam targeting him, Hajela sought a transfer out of Assam and the Supreme Court, which appointed him as NRC coordinator, has agreed to his plea. This turn of events only reconfirms the view that the NRC has been a flawed exercise from the beginning. But the flaw lies not in its execution, but in the absurd idea that the state could walk back in time and identify "foreigners" from a population of nearly 3.5 crore.

Evidently, Hajela's "crime" is that he didn't deliver the NRC the BJP as well as various Assamese groups had imagined. The final NRC excluded 19 lakh people, whereas political groups had expected a much higher figure. The list also busted the many beliefs political and social groups held about migration into Assam — the distribution of the "excluded people", their religious identity, seem to be at variance with popular assumptions and spectres. Many have also been left out of the list for want of documents, which is not surprising since the culture of maintaining documents connected to citizenship is relatively new to many Indians. The BJP has promised to amend the Citizenship Act and make Hindus excluded from the NRC eligible for citizenship, a promise unacceptable to many Assamese groups that have refused to read religion into the migration debate. Given the complexity of the problem, no bureaucracy could have delivered a fool-proof or a universally acceptable NRC. The vision behind the NRC rejects the reality that societies are a product of migrations, triggered by political, geographical and economic reasons. Politicians who fan fears around the spectre of migrant populations subsuming indigenous cultures, and claim that there are bureaucratic solutions to reverse migration, are being blind to historical processes.

The onus is now on the SC to keep the NRC insulated from political pressures. The action will soon shift to the Foreigners' Tribunals, which are expected to rule on the claims of the 19 lakh people left out of the NRC. The apex court needs to look at the constitution and functioning of these tribunals and ensure that they are free and fair. The state must also start to think about the future of the large number of people who are likely to be rendered stateless once the appeal process is completed.

NO YES AND NO

As Brexit drama drags on, its central contradiction remains — between a referendum and Westminster system

THERE IS A phrase among television critics in the US, "jumping the shark", that refers to a TV show becoming boring for audiences as it drags on, long after the fundamental conflict that moves the plot forward has become stale. By the time Britain's Conservative prime minister, Boris Johnson, tried to force through parliament a hurriedly negotiated deal with the European Union, the Brexit drama had long since jumped the shark for many. But UK's legislators did not buckle under pressure of the looming October 31 deadline and the prospect of an economically-catastrophic "no-deal Brexit". Instead, a section of MPs cutting across party lines passed an amendment withholding support for Johnson's deal. The amendment is also a tactic to force the PM to request another extension from the EU. For his part, Johnson has said he will not request an extension and will push for a vote on his deal.

At the core of Johnson's bravado lies the belief — not unfounded — that he is fulfilling the will of the British people. The referendum in 2016 was a vote for Brexit and it is armed with this expression of the will of the people that pro-exit leaders make their stand. Yet, it is becoming increasingly clear that other, equally salient aspects of the Westminster system are fighting back. Issues like the Irish back-stop, as well as the stand taken by Scottish MPs and parties, have brought to the fore the challenges of balancing the claims of the UK's federal units vis a vis the commitment to Brexit. Second, the 48 per cent of Britons who chose to stay with the EU have stood against the referendum. Finally, the British Parliament, it has become clear over the last few weeks, will not sacrifice the economic future of the country at the alter of political expediency without a fight.

What the nearly four-year-long tussle over Brexit has really made clear is that the referendum is not an adequate tool for the determination of complex issues. A "yes/no" binary cannot form the backbone of a decision with as many facets as this. Yet, once such an opinion is sought, it is only through a second referendum that the mandate can be comprehensively overturned. Johnson, for example, has kept to the letter of the law by acquiescing to parliament and asking the EU for an extension. He has also kept to his commitment to the "yes" vote by writing a second letter saying he does not favour an extension. The Brexit drama may seem interminable. But its central contradiction remains.

FOG OF SECRECY

As governments turn increasingly opaque, the value of whistleblowers rises, and the need to protect them

IN A CLOSING of ranks not seen before, except in the US, Australian newspapers published redacted front pages on Monday, protesting curbs on the press in the name of national security. The Right to Know campaign has drawn competing publications together to protest the impact of national security laws on press freedoms, and on the whistleblowers who bring in the bad news. Concern among journalists mounted following two police raids in June. The headquarters of ABC were raided over stories alleging war crimes committed in Afghanistan by Australian special forces, while a former military lawyer was committed to trial. The home of a News Corp political journalist was also searched, and a raid on News Corp offices contemplated.

As governments become more opaque and intrusive at the same time, intensifying information asymmetry in politics, whistleblowers and digital activists like Edward Snowden, Chelsea Manning, Julian Assange and Christopher Wylie have become crucial sources of insight about the intent of governments, and of liberties taken in the lee of security laws. Some of them may have personal motives, but that is a secondary consideration in comparison to the value of their efforts to the public interest.

The Australian government has reacted positively, with the home minister instructing police to consider the importance of a free press and the public interest before proceeding against the media. But there appears to be reluctance in government to treat the journalists' broader demands favourably. They seek the right to contest search warrants, new rules for determining what the government can stamp as secret, reform in the law of defamation and freedom of information, the protection of journalists from national security laws and, most importantly, whistleblower protection. It is unlikely that the fog of secrecy, which governments have revelled in since the colonial era, will be readily dispelled.

Don't sing in Pilibhit

Does a prayer become objectionable because it is in Urdu, because God is invoked as Khuda and Allah?



TAHIR MAHMOOD

"NO LORD BUT Jesus Christ. There is only one true God. Forgive us, Father, for allowing a prayer which is an abomination in your right." This is what a group of fanatics had shouted in the United States Senate, protesting against the recitation of a classical Indian prayer at the beginning of a session in July 2007. Their deplorable behaviour was later justified by some others on the grounds that "One nation under God" in the US National Pledge referred to the God of "monotheistic" Christian faith and the non-Christian prayer recited in the senate belonged to a "polytheistic" creed. The US media approached people from different walks of life seeking their reaction and the majority of respondents disapproved of the incident.

It happened to be in the US and was invited by Voice of America to participate in a debate on the incident. The so-called "polytheistic" prayer objected to was a Vedic hymn — *Asato ma sadgamayam tamaso ma jyotirgamaya, mrrityoma amritam gamaya*. Translating it into English as "lead us from the unreal to the real, from darkness to light, from death to immortality", I asked my co-debaters "what is polytheistic in it?" No one had an answer. "If the Christian trinity of Father, Son and Holy Ghost does not make Christianity a polytheistic faith, how can the Indian trinity of Brahma, Vishnu and Mahesh be seen as a symbol of polytheism?" I further asked. Again, there was no answer.

Twelve years after defending an Indian prayer on a foreign land, I am confronted with a similar incident in our country. The headmaster of a school in district Pilibhit of Uttar Pradesh allowed his students to sing a traditional Urdu prayer in their morning assembly. A local religious functionary complained to the district administration that the headmaster had deliberately arranged the singing of a "religious" prayer in the school, and the administration lost no time in suspending him with immediate effect, without seeking any clarification from him.

I was flabbergasted to read the media story on the bizarre incident. Look at the

Twelve years after defending an Indian prayer on a foreign land, I am confronted with a similar incident in our country. The headmaster of a school in district Pilibhit of Uttar Pradesh allowed his students to sing a traditional Urdu prayer in their morning assembly. A local religious functionary complained to the district administration that the headmaster had deliberately arranged the singing of a 'religious' prayer in the school, and the administration lost no time in suspending him with immediate effect, without seeking any clarification from him. I was flabbergasted to read the media story on the bizarre incident.

wording of the "religious" prayer complained about: *Lab pe aati hai dua ban ke tamanna meri, zindagi shama ki surat ho khudaya meri/ Door duniya ka mere dam se andhera ho jaye, har jagah meri chamakne se ujala ho jaye/ Ho mere dam se yun hi mere watan ki zinat./ jis tarah phool se hoti hai chaman ki zinat/ Zindagi ho meri parwane ki surat yarab/ ilm ki shama se ho mujhko mohabbat yarab/ Ho mera kam gharibon ki himayet karna./ dardmandon se zaeifon se mohabbat karna/ Mere allah burai se bachana mujhko./ nek jo ah ho usi rah pe chalana mujhko.* (To the lips comes my wish turned into prayer, be my life O God like a candle. May the darkness of the world be eliminated by my efforts, be every place illuminated by my light. May I so adorn my homeland as flowers adorn a garden. Be my life like a moth, God, may I love the candle of learning. Let my mission be helping the poor, loving the sufferers and the elderly. Save me from evil, O God, lead me to the path that's virtuous).

So what is "religious" in this beautiful prayer? Does it become "religious" only because its language is Urdu, or because God is invoked in it by His Urdu names, Khuda and Allah? Notably, this poem was composed by the renowned poet-reformer Mohammad Iqbal whose Urdu poem, "*Saare jahan se achha Hindostan hamara*" (better than the whole world is our India)", is still sung as one of our national songs. Iqbal's prayer is indeed as patriotic as that national song. It was sung in the morning assemblies in schools all over North India before Independence and until many years thereafter. It was abandoned when in the 1950s, Urdu medium in schools was replaced with Hindi. The National Military College in Dehradun, which had also adopted it before 1947, gave it up long after the advent of Independence.

I may mention here that conspicuously religious hymns and songs are sung now in the morning assemblies of schools and colleges all over the country. These are joined by students of all communities and nobody

has ever objected to the practice. I had begun my career in 1963 with teaching in the famous Tilak Dhari Singh College of Jaunpur, which had a sizeable number of Muslim teachers and students. In the morning, every day, a religious song, "Jairaghandan Jaisiyaram", was sung by a group of students on the college's public address system and everybody used to respectfully stand up in silence; nobody had any problem with it.

To the best of my knowledge and belief, invoking God in school and college songs, in any language, does not violate any law of the country. Article 28 of the Constitution regulates "attendance at religious instruction or religious worship" in educational institutions; its provision cannot be stretched so as to apply it to the practice of singing religion-oriented songs in school assemblies. The language of such songs is immaterial as linguistic pluralism is well-recognised by the Constitution. All citizens have a fundamental right to "conserve" their distinct language (Article 29); and all states can "by law adopt any one or more of the languages in use in the state" as their official language (Article 345). The list of Indian languages in Schedule VIII of the Constitution — which as per Article 351 the state is mandated to take into account for developing Hindi "so that it may serve as a medium of expression for all the elements of the composite culture of India" — includes Urdu.

According to reports, the suspension of the school headmaster in the UP school has been "temporarily revoked" and, pending inquiry, he has been transferred to another school. I fail to understand what is being inquired into. In view of Urdu being widely understood and spoken in the country, does it really need a prolonged inquiry to discover that the Urdu prayer, for allowing which the poor teacher is facing punishment, is conspicuously non-religious?

The writer is former chair of National Minorities Commission & member, Law Commission of India

WHEN VISUALS SPEAK

Vetri Maaran's 'Asuran' shows the power of images to go where words cannot



KUNAL RAY

I AM AN admirer of Vetri Maaran's films. *Asuran*, which is currently playing in theatres, was eagerly awaited after the widely-acclaimed *Vada Chennai*. Though the censor certificate before the screening at a multiplex in Pune promised English subtitles, there were none when the film started playing. It was a full house and I was perhaps the only non-Tamil speaker in the audience. The absence of subtitles didn't seem to matter to anyone else, who were by then busy hooting and cheering when superstar Dhanush's name appeared in the opening credits. It was a relief to witness non-homogeneous multiplex audience behaviour.

The theatre manager said that the absence of subtitles couldn't be helped owing to a technical glitch. Nursing my initial disappointment, I sought solace in the company of my friend who generously offered to translate the dialogues or important bits of conversation in the film. The film began and the stark happenings on screen had consumed us immediately. Inability to understand the dialogue didn't hinder my comprehension of the plot. I later realised that suffering and oppression (which are at the core of the film) are not constrained by narrow considerations of language. Or, to put it another way, can language adequately convey human suffering and oppression? Does such a language exist?

Cinema is a visual art. Visuals construct their own language and serve the purpose of communication. Cinema exploits silence

to further reveal the unsaid. Could mere words ever compensate or capture the visual intensity of a Andrei Tarkovsky or Mani Kaul or Yasujiro Ozu? Gurvinder Singh's *Chauthi Koot* pulsates with a feeling of impending violence without actually showing any violent scenes but the sense of uncertainty and gloom pervades entirely through an array of associated visuals which work as metaphors. Girish Kasaravalli's *Dweepa* or Raam Reddy's *Thithi* don't rely on language at all. It is a defiance of the spoken in favour of the reflective.

Asuran deals with caste oppression and social injustice. It features several moments of caste-based killings and humiliation such as family members wailing over a decomposed, mutilated body of one of their own, a Dalit woman being thrashed in public for daring to wear a slipper to school, the central character prostrating in front of every single upper-caste house in the village pleading forgiveness for his son, separate seating for the lower castes at the film theatre in the village, amongst several others. I wonder what kind of dialogue would suffice to express this humiliation? Does language even matter in such instances? Would I understand this better with the aid of subtitles?

The visuals convey a searing reality that is most potent and penetrative. In such a case, language or dialogue is perhaps a shortcoming in itself. Encountering the visuals in the absence of a language aid further helped in the construction of the real, as

opposed to the real being mediated only through dialogues. In fact, it is a film that will be remembered for its visuals — the dry terrain, the jungle which is used for hiding, the hut in which the protagonist lives with his family, the village square — all shot in real locations, making the film viewing more experiential and immersive. Why are these visuals important? To see is to believe. Visuals are a reaffirmation of what we know but perhaps may not have encountered personally. They bear witness and offer documentary evidence of our collective apathy. Words often help to capture the immediate reality but visuals transcend such boundaries.

Asuran charts the story of Sivasami (Dhanush), a Dalit farmer and his family who are entangled in a caste war in rural Tamil Nadu triggered by ownership of land. Violence leads to more violence in the film. Most importantly, Sivasami is able to avenge the injustice without any messiah-like intervention by an upper-caste evangelist. He makes his own choices and suffers for the same. It is not a film proclaiming end of misery or even creating a false sense of victory. Vetri Maaran offers no easy solutions. He accosts you with images that make you squirm about your inhumanity. At the end of the film, Sivasami advises his son to fight injustice through education. The subtitles still didn't play but the visuals said it all.

The writer teaches literary & cultural studies at FLAME University, Pune

OCTOBER 22, 1979, FORTY YEARS AGO



BAHUGUNA VS PM

FORMER FINANCE MINISTER H N Bahuguna accused Prime Minister Charan Singh of having acted "arbitrarily" in seeking his resignation from the Cabinet. But he sent in the resignation letter as asked by the PM since he did not want to make an issue of it. The CPD leader said he would decide his future course after his party's convention on Thursday.

CHAOS IN MANIPUR

THE DISMISSAL OF the Shaiza ministry, dissolution of the state assembly and imposition of President's rule in Manipur is on the cards. The deteriorating law and order situation, complaints of rampant corruption

against some members of the Shaiza government and the fear that the forthcoming Lok Sabha polls under the existing government may not be peaceful have compelled the home ministry to consider President's rule.

EQUAL TREATMENT

PAKISTAN FOREIGN AFFAIRS adviser, Agha Shahi, insisted before American lawmakers in Washington on equating Pakistan and India on the nuclear issue. It is an insistence that suits present US policy aimed at bringing all Indian nuclear facilities under fullscope safeguards, even to fulfil the existing contracts. Shahi said that Pakistan was willing to place all its nuclear facilities under

international safeguards and inspection only if India did the same.

NO RSS SUPPORT

YADAV RAO JOSHI, all-India chief organiser of the RSS, said that the Sangh would not support any political party in the coming general election. Joshi said that during the 1977 election, the RSS had compelling reasons to enter the election fray because basic rights of the people had been taken away during the Emergency. He described as motivated the propaganda that the RSS was against Christians or Muslims and that it was behind the communal clashes at Jamshedpur or Aligarh.

Future tense

Climate change and nuclear conflict between India, Pakistan are real dangers. They need to be addressed



KARAN SINGH

WHEN I MEET any of my six grandchildren, I often wonder what India will be like when they reach my age, which will be around the end of the century. I'm sure they will have been tremendous progress in many fields, but there are two areas that I find particularly worrying. The first is the continuing environmental degradation and global warming, which are creating serious problems. The air we breathe and the waters of our rivers have become highly polluted and unless this trend is reversed, we will face serious and widespread health problems in the years and decades to come. Climate change, in fact, is now one of the most serious challenges facing the human race, impacting as it does the entire world without exception, and it can only be tackled on a global basis. It is nothing short of tragic that the world's most powerful country has pulled out of the painstakingly crafted Paris agreement.

Extreme weather conditions are already wreaking havoc around the world — lethal hurricanes are regularly hitting the American continent, and the melting of glaciers is causing ocean levels to rise due to which at least a dozen countries will disappear from the face of the earth over the next two decades. The fact that thousands of animal, plant and insect species are becoming extinct every year adds to a deeply disturbing scenario. In our own country, erratic weather patterns have been seen on the one hand whole cities being drowned, while on the other, there are prolonged droughts threatening the livelihood of millions of farmers. The great Himalayan range itself, which from time immemorial has defined the geography of India, is now threatened with pollution, and the sacred streams emerging there from, particularly the holy Ganga, are also heavily polluted. Environmental pollution threatens the livelihood of millions of our citizens and unless it can be reversed, it is likely to deteriorate further. This, in turn, will cause civil strife and sharpen inter-state conflicts over the sharing of river waters.

The second and even more serious concern is with regard to the possibility of a nuclear conflict. While we tend to dismiss Pakistan's bluster as "nuclear blackmail", we have now got into a situation of extreme danger. My fear is not that either India or Pakistan will be unwise to start a nuclear war. The real danger is that if an Islamist organisation, perhaps even without the approval of the Pakistan government, were to launch a major terrorist attack on India, our retaliation could lead to a major conflict. What this means, in effect, is that the destiny of our children and grandchildren rests not with the governments of our two countries but with rogue terrorist groups fuelled by a fundamentalist ideology.

A few days ago, I read a statement by some Islamist leader in Pakistan who said, in effect, that even if Pakistan is annihilated in a nuclear war it would not matter because there are dozens of other Islamic countries in the world, but at least we would wipe out idolatrous Hinduism off the face of the earth. In the face of such statements, the danger of being willy-nilly pushed into a conflagration which



CR Sasikumar

could end in a nuclear exchange is very real.

With regard to bilateral talks with Pakistan, again, the key lies with terrorist groups, because we have taken the stand that we will not talk as long as terrorism continues. Since the recent dramatic changes in Jammu & Kashmir, Imran Khan has in every speech ended up by more or less threatening a nuclear war. We may dismiss this as bluster, but he is the duly-elected prime minister of a country with nuclear bombs, and therefore, we have to take his threats seriously. Earlier reports that Pakistan was developing tactical nuclear weapons which could be used in a ground war are disturbing and add to the possibility of a catastrophic conflict. In the light of these developments, it is for the Government of India to seriously ponder over the situation and see what can be done to defuse the tension.

I am horrified at the casual manner in which some of our politicians, television anchors and "defence experts" dismiss the possibility of a nuclear conflict. Do they have the faintest idea of the sort of havoc that would be caused within the first hour of a nuclear exchange? Millions on both sides would perish immediately and many more would die horrible deaths in the years and decades thereafter. Large parts of the Subcontinent would become unlivable for many decades. Is this the future that we will leave for our grandchildren?

In his last message on the August 15, 1947, which was also his 75th birthday, the great seer Sri Aurobindo wrote about his five dreams for the future. One of these was "a world union forming the outer basis of a fairer, brighter and nobler life for all mankind". While he held that human unity was an inevitable step of evolution, he also wrote that "a catastrophe may intervene, interrupt or destroy what is being done". These ominous words have always haunted me. Albert Einstein once said, "The unleashing of the power of the atom bomb has changed everything except our mode of thinking, and thus we head towards unparalleled catastrophes".

Since the recent dramatic changes in Jammu & Kashmir, Imran Khan has in every speech ended up by more or less threatening a nuclear war. We may dismiss this as bluster, but he is the duly elected prime minister of a country with nuclear bombs, and therefore, we have to take his threats seriously. Earlier reports that Pakistan was developing tactical nuclear weapons which could be used in a ground war are disturbing and add to the possibility of a catastrophic conflict.

The only way to avoid this is for the Pakistan government or the so-called "deep state" to make absolutely sure that there will not be a major terrorist attack on India from Pakistani soil. This, they should do in their own interest as well as in the interest of India. The trigger for a major conflict lies clearly in Pakistan, and this should be made clear to them through diplomatic channels. Meanwhile, our own hyper-triumphalism should not propel us in a direction that would directly lead to a conflict. One can only hope and pray that better sense will prevail and both India and Pakistan can continue to fight against what Prime Minister Narendra Modi has called our common enemies — poverty, malnutrition, unemployment and retarded economic growth.

There are two alternative scenarios for the future of humanity. The European philosopher Arthur Koestler held that our race is programmed for self-destruction because of an engineering defect in the human cortex whereby the feeling and the thinking elements are inadequately integrated. As a result, as Duryodhan says in the Mahabharata, "I know what is right, but I am not attracted to it. I know what is wrong, but I am attracted to it". As against this, the great evolutionary philosopher Sri Aurobindo holds that we are a race programmed for evolution. Having come up all the way through the mineral, vegetable, aquatic and animal forms, we are now half-way between the animal and the divine, and according to him the evolutionary thrust is bound to continue so that ultimately we move from mind to super-mind and from man to superman. The jury is out on this existential question, but recent events would tend to favour Koestler's view. To conclude this rather grim article on a lighter note, I will recall a limerick that I heard long ago. It goes as follows: *God's plan made a hopeful beginning, but man spoils his chances by sinning. We know that the story, will end in God's glory, but at present the other side's winning*

The writer is a former Union minister

WHAT THE OTHERS SAY

"The (Brexit) deal, as it stands, paves the way to ripping up much of this country's economic settlement and replacing it with a free-market vision more radical than anything attempted by Margaret Thatcher." — THE GUARDIAN

A more equal friendship

India must recast relations with Nepal on basis of geographic and cultural interdependence, sovereign equality and mutual benefit



RAJA MANDALA

BY C RAJA MOHAN

PRESIDENT XI JINPING'S recent visit to Kathmandu has helped focus on the changing dynamic between India, China and Nepal. One of the central themes in the new discourse is the alleged loss of Indian "hegemony" over Nepal. The proposition, however, is based on questionable assumptions. The story of Nepal's geopolitics is a complicated one. India's hegemony or primacy in Nepal is somewhat over-stated. It was limited in time and space and always constrained by Nepal's domestic politics.

Lodged between Tibet and the Gangetic plain, Nepal has close civilisational ties with both China and India. Its geopolitics, too, were shaped by both the neighbours. Prithvi Narayan Shah, who unified Nepal at the end of the 18th century, famously described Nepal's strategic condition as a "yam between two rocks".

Balancing between Tibet and the Qing empire in the north and British Raj in the south was very much part of modern Nepal's political evolution. It was only with the weakening of the Qing and the rise of the Raj from the mid-19th century that set the stage for southern dominance over Nepal. But it was not going to last forever.

When the People's Republic of China gained control of Tibet in 1950, Nepal's monarchy that was frightened by the communist threat turned to Jawaharlal Nehru for protection. Delhi and Kathmandu revived the 19th century security arrangements of the British Raj in a 1950 Treaty of Friendship. China's premier Zhou Enlai was quick to assure Kathmandu that there would be no export of communist revolution from Tibet to Nepal. The Sino-Indian conflict, meanwhile, opened up space for Kathmandu to weaken the treaty arrangements with India and rebalance the relationship. Nepal's strategy is made messier by the deepening domestic divisions on what constitutes the country's "national interests".

To cut this long and complicated story short, Delhi has struggled since the middle of the 20th century to sustain the primacy in Nepal it had inherited from the Raj. The emergence of a strong state north of the Himalayas tested India's claim for an exclusive sphere of influence in Nepal. China's dramatic rise in the 21st century makes Beijing a far more compelling partner for Kathmandu.

India's failure was not in an over-reliance on geopolitics, but the neglect of geoeconomics. While the security establishment and the political classes operated as if Nepal was a protectorate of India, Delhi's economic bureaucracy treated Nepal as a separate entity. Delhi's emphasis on economic autarky meant there was no special value attached in India to the commercial interdependence with land-locked Nepal, let alone nurture it. Vested interests inevitably found space to arbitrage the wide gap in the economic

policies of the two nations. Delhi also allowed the border infrastructure to rot over the decades. Delhi's attempts to revive connectivity with Nepal in recent years have run into India's traditional problems with project implementation. Even more important, there has been growing political resistance in Kathmandu to deeper economic relations.

Put simply, the change in the regional balance and the communist dominance over Nepal's domestic politics means the old rules don't apply any more in the triangular relationship.

In the past, China sounded sensitive to India's concerns in its engagement with Nepal. As the second most important power in the world and the foremost in Asia, China perhaps is a lot less interested in what Delhi might think about its Nepal policy. Above all, China today is driving regional change with its expansive Belt and Road Initiative.

On the face of it, Kathmandu has at least three possible options in crafting a new strategy for Nepal. One is to opt for neutrality and symmetry in its relations with India and China. This is not a new idea and was reflected in Kathmandu's past debates about "Nepal as a Zone of Peace". Second, it could decide that a special relationship with China is more valuable than the one with India. Third, it could continue a policy of dynamic balancing and make the best of the possibilities with both China and India.

If Nepal opts for strict symmetry, it would have to turn its open border with India into a closed one similar to its northern frontier with China. A considered strategic tilt towards China means Kathmandu would want to discard the special privileges it has in the relationship with Delhi, for example, the freedom for Nepali citizens to live and work in India. Nepal's sovereign choice would also involve an assessment of the inevitable Indian counter measures to a strong security partnership between Beijing and Kathmandu. The third option would involve modernisation of the India relationship and expansion of the China ties with sufficient regard to the concerns of both the powers. Nepalese have often talked about becoming a "bridge" between the two nations. But the economic, political and security implications of what it might mean to be a bridge remain to be fleshed out.

For India, it is time stop whining about China's growing presence in Nepal or lamenting the loss of much-vaunted primacy in Nepal. The protectorate relationship that Delhi inherited from the Raj was never sustainable. Nor was the air of strategic condescension in Delhi. Nothing infuriates the Kathmandu elite more than Delhi's claim to know what is good for Nepal. Delhi does not. Instead, Delhi should let Nepalese decide what is good for them and tailor India's own responses accordingly.

India has had its share of strategic errors in dealing with Nepal. The best corrective Delhi can offer is a new compact with Nepal that can build on the natural geographic and cultural interdependence between the two nations. This time around it must be based on sovereign equality and mutual benefit. It is up to Kathmandu in the end to accept, reject or negotiate on such an offer.

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SANJIV MISRA

The great wall ahead

Can China break shackles of its old economic systems, scale greater heights?

"TO BE RICH is glorious" is the famous Deng Xiaoping quote that set communist China on a spectacular growth path spanning over three decades, challenging the entrenched Western perspective that economic prosperity could be achieved only in the liberal market democracies. The shift in viewpoint is perhaps best articulated by Martin Jacques in his provocatively titled best seller, *When China Rules the World — the end of the Western World and the Birth of a New Global Order*, which built upon available projections that the Chinese economy would overtake the American economy in terms of size by the close of the third decade of this century — a development that could potentially transform the structure of the world order to one dominated by China.

Making projections about a country as politically and economically inscrutable as China is a hazardous endeavour in the best of circumstances. The advent of Xi as the President of China in 2013 marks a discontinuity in the direction and thrust of state policies followed since the time of Deng Xiaoping, and is now a significant factor imparting uncertainty to China's future prospects.

Xi's overarching vision of "the great rejuvenation of the Chinese nation" has meant an unprecedented concentration of political authority in the office of the president — tenure limits have been removed, Xi is president for life. There is also deepening authoritarianism with enhanced curbs on the free-

doms of individuals and surveillance of activities of China's citizens. Xi's term has also seen a more muscular projection of Chinese military power, aggressive expansion of its spheres of influence and a forceful reiteration of historical territorial claims. Abandoning the prudence and caution advocated by Deng ("hide your strength, bide your time") Xi has openly challenged American dominance in the Asia-Pacific, with thinly-veiled aspirations towards global hegemony.

Xi inherited an unbalanced economy, excessively reliant on exports and debt financed investment for growth. Overdue economic reforms along with deleveraging were an imperative to sustain future growth momentum. However, given his strong distrust of the market mechanism, fearing the associated loss of political control, Xi has regressed to command and control measures for managing the economy. The future role of the private sector, a major contributor to the China growth story, is also under palpable strain.

While the Chinese economy was expected to slow down from its elevated growth levels, it has currently posted its slowest growth in industrial production in 18 years and the slowest GDP growth rate in 27 years. Debt levels have reached a record 310 per cent of GDP, according to the Institute of International Finance and, coupled with a large unregulated shadow banking sector, pose huge systemic

risks. Deleveraging is not a viable option presently, since it would further retard growth.

Trade is now a minor factor in the growth equation. Investment and domestic consumption are its main drivers. Unlike investment, which has been mainly state-driven, consumption is a function of myriad individual decisions as also consumer sentiment, which has been dampened by the ongoing trade conflict with the US. Infrastructure, especially the housing sector, which has been a major growth driver in the past, is substantially over constructed and any further stimulus to it would be a risky strategy.

For China, the Hong Kong protests could not have come at a worse time, with a slowing economy and the trade conflict with the US beginning to bite. It would be unrealistic to imagine that there is no causal association of the intensity of the protests in Hong Kong with the authoritarian policies being followed on the mainland. Reports seem to suggest that the protesters firmly believe that this is perhaps their last opportunity for extracting any semblance of democratic freedoms before Hong Kong becomes just another city under the Chinese yoke. The authorities are caught in a cleft stick because of the serious future ramifications of any steps that they may take at this juncture, not merely on the future of Hong Kong, but also on Taiwan and the mainland.

After several decades of exceptional growth, China is currently the second-largest

economy in the world with a nominal GDP at around two-thirds the size of the US. It remains, however, a middle-income country ranked 79 in the world in 2018 with a GDP per capita at around one-third of that of the US.

China is presently facing strong headwinds which are, largely, a consequence of its own policies. Growing state control of the market and expanding role of state-owned companies has reduced competition and adversely impacted productivity growth, which has recorded its lowest level since 1978. The drag of ideology on economic management is palpable and is exacerbating the ongoing growth slowdown. On the external front, the caution and prudence adopted by China previously, which proved to be an anodyne for allaying fears about its dramatic rise as a putative superpower, has been replaced by a "premature assertiveness", rekindling past anxieties concerning its "peaceful rise" and exacerbating its trust deficit with the rest of the world.

No totalitarian country has in the past achieved the levels of prosperity of the market democracies of the developed world. Will China, shackled by ideology and structures of economic management, which are essentially relics of the past, be able to escape the "middle income trap", and become the first communist country to do so?

The writer is a former secretary to Government of India

LETTERS TO THE EDITOR

THANK CONGRESS

THIS REFERS TO the editorial, 'PM-CM push' (IE, October 21). Given the increasing power of state governments in the day to day lives of people, the outcome of elections in Maharashtra and Haryana will have clear governance implications. To their credit, both Devendra Fadnis in Maharashtra and Manohar Lal Khattar in Haryana under the supervision of the Modi-Shah duo, have made the BJP dominant player in their respective states. This happened due to combinations of national factors. But not to a small extent, the BJP's dominance in these two states, has been also due to the collapse of the Congress.

Lal Singh, Amritsar

BASIC NEEDS

THIS REFERS TO the editorial, 'Nutrition is no puzzle' (IE, October 18). Food and clean water are the two basic needs for a human being to survive. India's poor performance in the hunger index shows that many people are being deprived of these necessities. A greater focus should be on mid-day meals. Also, people should take steps towards minimising food wastage.

Aayush Sapra, Ujjain

GANDHI'S VISION

THIS REFERS TO the article, 'The sacred economy', (IE, October 19). Mahatma

LETTER OF THE WEEK AWARD

To encourage quality reader intervention, The Indian Express offers the Letter of the Week award. The letter adjudged the best for the week is published every Saturday. Letters may be e-mailed to editpage@expressindia.com or sent to The Indian Express, B-1/B, Sector 10, Noida-UP 201301.

Gandhi welcomed machines and automation to the point where they avoid drudgery and reduce tedium. He perhaps saw this as a way to ensure emancipation of the working class. Through his idea of sarvodaya, Gandhi wanted to ensure the uplift of the masses and a society where everyone has an equal opportunity to succeed and all essential economic activity is honourable and worthy. Gandhi advocated the doctrine of trusteeship as a moral basis for individuals in positions of wealth, where the wealth in excess of a person's needs as being held in trust for the larger good of society.

Sudip Kumar Dey, Kolkata