If Vodafone quits India...

...India's loss might be much bigger in terms of the dent in the overall business sentiment

NOT FOR PROFIT

NIVEDITA MOOKERJI

The last week of October, with all the festivity around, was hardly pleasant for the telecom sector. The Supreme Court verdict on October 24 upholding the government definition of adjusted gross revenue or AGR had hit all telcos, except Reliance Jio. But, for the UK communications major Vodafone, already in the midst of mounting losses in its India unit, it looked like an endgame. The top court order meant Vodafone Idea, the venture in which the UK operator holds 45 per cent stake, had to pay around $4 billion (more than ₹28,000 crore) in licence fee and spectrum usage dues to the government.

From there on, the sequence of events is intriguing.

A day after the court judgment, on October 25, Vodafone Idea said in an exchange filing that the verdict had "financial implications and represents a significant event with respect to the company". It also said the company would engage with the Department of Telecom seeking relief, including a waiver of interest and penalties.

By this time, speculation around Vodafone's likely exit from India were making headlines. Soon, TV channels and news agencies were also flashing that Vodafone Idea, with around $14 billion net debt, was in talks with banks for a debt recast and could be headed to the bankruptcy court. The Newbury (Berkshire)-headquartered conglomerate responded strongly to douse the fire. In a statement issued on October 31, the second largest telecom company in the world said, "Vodafone is aware of the unfounded and baseless rumours circulating in some of the Indian media that we have decided to exit the market. We would like to categorically state that this is not true and is malicious."

The same day, the India business-Vodafone Idea-made a filing to the Bombay Stock Exchange (BSE), which had sought clarifications from the company on media reports suggesting it may exit India as losses mount. "As regards exit of India operations by Vodafone group is concerned, we wish to inform you that the company is not aware about anything on the subject as it pertains to Vodafone group and hence cannot comment on the same," Vodafone Idea told BSE. On the issue of debt recast, Vodafone Idea dismissed it as incorrect.

In less than two weeks, precisely on November 12, the British conglomerate stunned the world by negating its own statement of October 31, stating that its India business was on the brink of collapse. Chief executive Nick Read told the media in London after the company's half-yearly results that Vodafone's India unit could be headed for liquidation unless it got relief from the government in terms of waiver in taxes and penalties. "If you don't get the remedies being suggested, the situation is critical," he said in no unclear terms. And then to reiterate the point, he said, "if you're not a going concern, you're moving into a liquidation scenario — can't get any clearer than that." While writing down the book value of its India operations, Vodafone has squarely put the blame on "unsupportive regulation" and "excessive taxation". The "negative Supreme Court decision" had of course, pushed it to the brink.

Although it's rare and tough for a global chief executive to announce that a business had gone bad, it's striking to find a multinational as big as Vodafone change its position on exit and bankruptcy within days. So, what happened between October 31 and November 12, to drive Vodafone to make a public statement that its India days may be numbered unless the government offered substantial relief?

There could be only two reasons for this desperate war cry. One could be that the UK telco sensed the government might not offer any big relief in terms of waiver of penalty and tax in relation to the AGR order by the Supreme Court. In that case, Vodafone might have decided to call a spade a spade and walk out of India, which was not too long ago the most promising telecom market.

The second reason could be a ploy or a last-ditch effort by the telco to convince the government to act quickly and decisively.

While Vodafone, which has been among the biggest source of foreign direct investment, would lose out on its current 300 million plus subscriber base and the promise of growth if it were to exit the country, India's loss might perhaps be much bigger in terms of overall business sentiment.

The government so far has not taken any pro-active step to set things in order in the telecom sector, bruised by extremely low tariff because of competition. At a time when the government is calling out predatory pricing by foreign e-commerce companies to help Indian retail businesses, it's time to take notice of the telecom sector tariffs without getting into the nationalities of the companies. Also, rather than whiling away time on recommendations by a committee of secretaries, the government must take a call at the highest level at the earliest, treating Vodafone's exit call with all the seriousness that it deserves.

Levelling the grain mountain

Foodgrain stocks are burgeoning but the options to reduce them are limited

SANJEEB MUKHERJEE

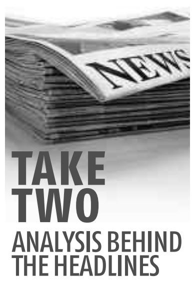
A few days ago, local papers in Haryana published reports of paddy farmers being turned away from *mandis* because government agencies had stopped procurement saying quotas had been reached. *Mandis* in Karnal, Panipat and Yamunagar all reportedly downed their shutters for six days, causing a long line-up of trucks and tractor-trolleys. It was only after the newly-formed Manohar Lal government clarified that no decision to stop procurement had been taken that the Haryana mandis reopened.

The incident highlights again the challenges the Centre and state governments face when it comes to ending the open-ended procurement of wheat and rice by Food Corporation of India (FCI) and state agencies on its behalf. "I have never seen mandi authorities denying paddy purchases in my lifetime," said a farmer from Karnal. "It seems some ulterior motive is at play," he added.

Soon after the Haryana incident, the 2020-21 rabi report of the Commission for Agriculture Costs and Prices (CACP) 2020-21 highlighted the pitfalls of open-ended procurement of wheat and rice. The CACP, which is the main body that determines the Minimum Support Price (MSP) for a host of crops, has often urged the need to review the open-ended procurement mechanism under which the government buys whatever wheat and rice a farmer brings to the mandi within a stipulated time and based on a pre-determined quality parameter.

CACP and the beleaguered FCI blames this open-ended procurement for mounting foodgrain stocks, which, as on October 1, 2019, stood at an estimated 64.23 million tonnes, more than double the required buffer and strategic reserve norms.

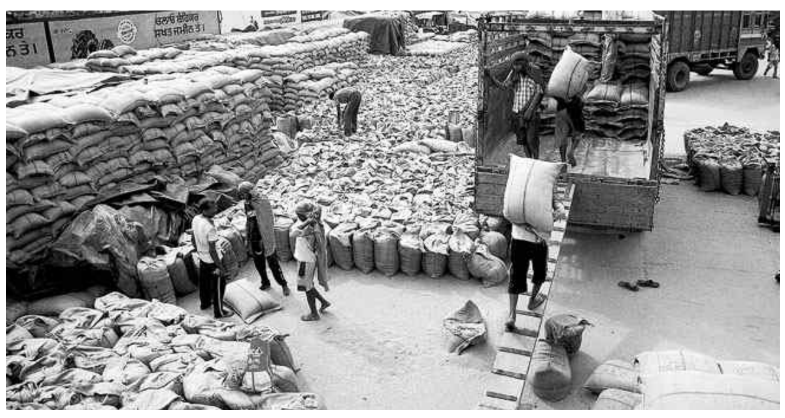
"Against a requirement of around 50-56 million tonnes of foodgrain to run the National Food Security Act (NFSA) and other welfare schemes, the Centre ends up buying almost 80 million tonnes of wheat and rice. There has to be a mismatch somewhere, which is showing up," a senior FCI official said.



Given that India's foodgrain stocks have reached unmanageable levels — the image of rats feasting on stocks in FCI godowns has become famous — does the government has viable options to liquidate the current inventory without incurring a heavy additional financial burden?

The short answer is no.

The stock burden along with inadequate Budget allocations for the food subsidy and the Centre's zeal to check the fiscal deficit has worsened FCI's financial position. Officials say even if the Centre releases all its allocated subsidy for 2019-20, the agency would still have outstanding unpaid subsidy dues of ₹174,000 crore, plus ₹145,000 crore as outstanding loans from National Small Savings Funds (NSSF) by the end of that financial year, totalling over ₹319,000 crore. At the start of the current fiscal, this figure was ₹191,000 crore. In short, FCI is incurring crippling debt to create extra food stocks that the country doesn't really need.



So what can Centre do about its grain mountains?

Open market sale to private players: The problem here, say FCI officials, is low appetite from allied industries such as biscuit manufacturers, a result of the economic slowdown. The government did make a start of sorts by selling wheat and rice at an MSP-linked reserve price, but as the CACP noted in its latest report, the offtake of wheat till September 2019 has been only 0.51 million tonnes against 2.29 million tonnes offered for sale during 2019-20. The target is to sell around 10 million tonnes in open market.

PROBLEM OF PLENTY

Foodgrain stock (mn tonne)

Oct 1, 2015	52.07
Oct 1, 2016	35.8
Oct 1, 2017	42.17
Oct 1, 2018	54.25
Oct 1, 2019	64.23

*Does not include unmilled paddy lying with mills and coarse grains; NOTE: The buffer and reserve stock position as on October 1 is 30.77 mn applicable from January 22, 2015 Source: Food Corporation of India (FCI)

Extra allocation for Antodaya Anna Yojana (AAY) beneficiaries and families below the poverty line: Assuming an additional allocation of 5 kg of rice and wheat for AAY beneficiaries, and 1 kg of rice or wheat to those in the Priority Households (PHH) category, a back-of-the-envelope calculation shows that government will have bear an extra financial burden of about ₹29,000 crore over the current subsidy of over ₹184,000 crore (Budget Estimate, 2019-20).

AAY allocations are made on a per-family basis, which comes to around 35 kg per month, while each identified individual under the PHH category gets 3 kg of rice and 2 kg of wheat a month. The rates for both AAY and PHH have been unchanged at ₹3 per kg for rice and ₹2 per kg for wheat since 2013, when the National Food Security Act was enacted.

Export wheat and rice from the Central pool: This has long been considered the key to liquidating the grain mountain. Unrestricted wheat exports have been allowed under Open General Licence (OGL) since 2012. But India has rarely managed to make any serious attempt to dent global wheat markets because constant increases in MSP have priced out Indian wheat.

Stiff competition from Australia and Ukraine is another key reason for the poor performance of Indian wheat exports. Making things worse, global prices, too, dropped from about $350 metric tonne in November 2012 to below $200 tonne in September 2019 owing to a glut in producing countries.

"Despite consecutive record harvests and high stocks, wheat exports have not increased as Indian wheat exports are not competitive due to higher domestic prices compared to world prices," CACP said.

In sum, given the complications and challenges associated with all the economic options to liquidate grain stocks, the Centre has few viable choices. Reconsidering the entire MSP-based procurement system is the only remaining option but that is a politically sensitive decision involving farmer interests that few governments in the past have dared to even consider.

CHINESE WHISPERS

Updating Twitter profile

Former Maharashtra chief minister Devendra Fadnavis on Tuesday changed his Twitter bio to "Maharashtra's Sevak" (Maharashtra's servant). As chief minister, Fadnavis often used his Twitter handle @Dev_Fadnavis for official communication. The BJP leader had changed his Twitter bio from "Chief Minister of Maharashtra" to "caretaking chief minister" last week when the BJP announced that it was in no position to form the government. He quit on November 8 after the Bharatiya Janata Party failed to work out a power-sharing deal with the Shiv Sena, its ally. Fadnavis, 49, is the first chief minister of Maharashtra after Vasantrao Naik to complete a full term.

Jharkhand war hots up

Sukhdeo Bhagat former Jharkhand Congress chief who switched to the Bharatiya Janata Party (BJP) recently, filed his nomination from the Lohardaga Assembly (reserved for Scheduled Tribes) seat on Wednesday. Bhagat, who is a sitting MLA from Lohardaga, is pitted against Rameshwar Oraon, a former Indian Police Service officer who is currently chief of the Congress' Jharkhand unit. Oraon had succeeded Ajoy Kumar, who quit the Congress in the aftermath of the Lok Sabha polls and joined the Aam Aadmi Party. Bhagat, along with three other Congress legislators, joined the BJP last month. The BJP has given the party ticket to all four from their current seats. The five-phase election to the 81-member Jharkhand Assembly will conclude on December 20 and counting will be held on December 23.

Being cautious

Samajwadi Party (SP) President Akhilesh Yadav has never given up an opportunity to attack the Yogi Adityanath government on various issues, especially cases of alleged corruption or impropriety. However, "Tipu" — Yadav's affectionate moniker — is perceptibly cautious about the DHFL controversy, in which UP power utility mandarins had allegedly flouted norms to invest in the scam-hit non-banking financial company between March 2017 and December 2018. The investments started when the power transition was underway between the outgoing SP and now incumbent Bharatiya Janata Party. UP Power Corporation Ltd (UPPCL) Managing Director A P Mishra was still at the helm. During the SP regime (2012-17), Mishra had the ruling dispensation's trust and was given multiple extensions. He is currently in the custody of the UP economic offences wing.

INSIGHT

RCEP and India

I was disappointed when India decided to opt out of the RCEP. We had all the time in the world to negotiate and get a good deal for ourselves

YASHWANT SINHA

ILLUSTRATION BY BINAY SINHA

I travelled for one such meeting (summit with ASEAN) to Cambodia in the PM's special plane (the year was 2003). During the flight Vajpayee asked me whether I had seen the speech which had been prepared for him. The PMO used to prepare his speeches based on inputs received from various ministries, specially the ministries of commerce and external affairs. The final version was not shown, even to me, and was a trade secret of the PMO. So, I frankly told Vajpayee that I had not seen the final draft."

"He immediately told his officials to show it to me. 'It is a good draft, but what is news worthy in the speech?' I asked the PMO officials, who looked at me in surprise. I told them that ASEAN already had free trade agreement (FTA) with China, Japan and South Korea, which were its summit partners. Should India as the fourth summit partner not offer to have an FTA with ASEAN? The suggestion was accepted by Vajpayee and commerce secretary Deepak Chatterjee, who was on the same flight, was asked to draft a few sentences to include the offer in Vajpayee's speech. As expected, it became the highlight of his address."

This is an extract from my recently published autobiography *Relentless* and I am quoting it here to emphasise that both Vajpayee and I were very keen to expand India's trade and economic relations with all friendly countries in the world while at the same time protecting and safeguarding our core national interests. When I took over as minister for external affairs I found to my horror that we were nowhere compared to China when it came to trade, specially as far as the developing countries of Asia, Africa and Latin America were concerned. So, if China's total annual trade with country X were three billion US dollars ours would be three million dollars. Since trade and economic relations formed an important point of the agenda of my discussions with my counterparts from these countries or their regional groupings, I would explore all avenues to augment them. I discussed the state of affairs with Vajpayee and given the confidence we had in our own economy, it was decided that we should freely offer to conclude preferential and free trade agreements with regional trading blocs and the larger countries. India would deal with the world with a newfound confidence and self-assurance. And our confidence was not misplaced.

India had stood up and squarely faced the challenges posed by the opening up of the Indian economy after the liberalisation of 1991. Ten years later came a bigger challenge when under the WTO agreement India had to remove all quantitative restrictions (QRs) with effect from April 1, 2001. As finance minister I had to make an announcement to this effect in my Budget speech of February 28 of that year. I recall with some amusement today the apprehensions which existed in certain quarters of our business community then. A senior political leader came to see me with a delegation of the poultry industry. They told me that US was sitting on huge mountains of frozen chicken legs waiting to export them to India and how its unrestricted imports will ruin the poultry industry in India. A group of businessmen from the two-wheeler industry warned me that China had already stocked lakhs of two-wheelers in the customs free zone of Dubai and was waiting to ship them to India and how that would destroy the two-wheeler industry in India. Similar fears were expressed about apples and dairy products from Australia and New Zealand and any other items of imports from various other countries. Indian industry was in the grip of an all-pervading panic.

QRs had to go on April 1, as it was a sacred international commitment. I took the concerns of Indian industry and agriculture on board and and made whatever provisions were necessary and legally feasible to safeguard our interests. A special cell was set up in the ministry of commerce to monitor the imports of sensitive commodities and products into India. We were ready with other measures too to meet any surge in imports of sensitive items. But we survived; Indian industry and agriculture once again stood up and faced the challenges boldly. It helped them come of age.

I was therefore disappointed when India decided to opt out of the RCEP. It is not an act of courage but of cowardice. We had all the time in the world to negotiate and get a good deal for ourselves. After all, did we not do so during the more difficult negotiations in the Doha Round or even later WTO negotiations? We cannot wear our negotiating failure as a badge of honour, can we?

RCEP embraces 15 countries, the original 10 of ASEAN and its summit partners, namely, South Korea, Japan, China, Australia and New Zealand. India is the other summit partner of ASEAN and its second largest. Goh Chok Tong, then prime minister of Singapore had once compared ASEAN to an aircraft of which India and China were the two wings. That truly represents the importance of India for ASEAN and the whole Indo-Pacific. Today, we as one of the wings of the ASEAN aircraft have decided to voluntarily detach ourselves from that aircraft.

The 15 countries of RCEP together account for 3 billion people and 20 per cent of the global GDP. Manmohan Singh had once described the area extending from Japan to India as an 'arc of prosperity'. It is tragic that the Congress party today is competing with the ruling party and others to claim credit for India staying out of the RCEP. The government of course is claiming it to be an act of courage of a strong prime minister. The fact of the matter is that by opting out of the RCEP, India has shot itself in the foot and missed a golden opportunity to be an important player in the affairs, not only of this region but globally.

The argument that India would have had to play second fiddle to China under this arrangement is completely misplaced, as is the belief that it would have led to an upsurge in imports from China. For the record, our current trade deficit with China is not because of some FTA we have with them. It is the result of our own deficiencies and if there are any trade curbs that China has in place for imports from India, it is the duty of our negotiators to have them removed. There are strong rules in place about the country of origin and therefore the fear that China would have inundated us with imports through third countries is also misplaced. So is the view that an FTA with the US could make up for it. The fact of the matter is that some people in India are forever afraid of coming out of their mother's womb. That is not the sign of a strong nation which is willing to go out and meet the world.

The author is a former Minister of Finance

LETTERS

Focus on happiness

This refers to "Development Economics after the Nobel Prize" (November 13). Post Adam Smith, an eon was spent in identifying conditions necessary for wealth-creation. An era was then spent on distribution of income between capital and labour. Nobel winner Professor Angus Deaton then delved into the cause and spread and measurement of poverty. Now Abhijeet Banerjee et al have analysed to combat it through the seminal concept of Randomised Control Trials. It may take ages for socio-economists to move away from a trite GDP to the concept of happiness. More than in economics, development needs to be in human ethos.

R Narayanan Navi Mumbai

Good job

Dilasha Seth's report "Delhi 'blinks green' as the fastest air cargo hub among India's metros" (November 13) about the excellent performance of the Delhi air cargo hub — and improvements at other major airports too — is a piece of good news. The Central Board of Indirect Taxes & Customs' (CBIC's) initiative of launching the time-tracking colour dashboard is a great idea to encourage all our major air- and seaports to expedite customs clearance of cargo. Such healthy competition is bound to improve this crucial component in "ease of doing business" and show good results at other airports and seaports as well as lend a big helping hand to our efforts at "breaking into the top 50 ease of business club". Here's wishing Delhi keeps blinking green — at least on this front — and others also catch up soon. Our hopes to join the top 50 club in terms of ease of doing business should get a leg up with all this. More than that, it will help our industry and trade become more competitive.

Krishan Kalra Gurugram

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

Business Standard
Volume XXIV Number 65
MUMBAI | THURSDAY, 14 NOVEMBER 2019

Policy instability reigns

Investors will see government action as primary risk

The government has sought to make India an easier place to do business, and has pushed for reform to this end at both the central and state levels. Some of its efforts have been crowned with success, and India's ranking in the World Bank's ease of doing business rating has risen. The hope is that this will revive investment, both domestic and foreign. But the question to be asked is why investors would want to come in to India at the risk of catastrophic capital loss, and when the greatest risk continues to be the Indian state itself. One major risk comes from the possibility that a change in administration following an election might lead to the government reneging on agreements. The situation in Andhra Pradesh is an unfortunate example of this. The new government under Jagan Mohan Reddy had previously announced it was reopening power purchase agreements, which threw investment into the renewable energy sector nationwide into crisis. Now news comes that it is ending a development project in the new state capital city of Amaravati, which was supposed to create a commercial real estate-focused area in the new city on the banks of the Krishna river. This will involve pulling out of a contract it had signed with Singaporean investors. The Amaravati project was supposed to be a proof of concept, a demonstration that foreign capital could co-operate with the Indian state in order to build world-class urban infrastructure. Instead, it now serves to demonstrate the opposite.

Similar risks have intensified at the all-India level as well. At a media call after Vodafone released its first-half results, its chief executive officer, Nick Read, said the situation for the company in India was "critical". This is a consequence of the government having taken a case about revenue sharing all the way to the Supreme Court, which has now ordered debt-laden telecom operators to pay $13 billion to the government, with Vodafone Idea due to hand over $4 billion to that. The government is not responsible for a court judgment, but it is certainly responsible for having fought the case up to that level, as well as refusing to see what such extortionate demands are doing to profitability and investment in the sector. Vodafone has rightly pointed out that it is among the largest foreign investors in India. What would other large investors considering going into critical or infrastructure sectors, where partnership with the government is essential, take away from its behaviour in the telecom sector? Now it seems the government has taken aim at the successful e-commerce sector, another location for high investment. It changed the rules of the game after major investments had already been made, and ministers have been routinely speaking about "predatory pricing" in the sector while remaining silent about such pricing in telecom.

The simple fact is that as long as governments allow political considerations rather than a commitment to policy stability to dominate, investment in India will continue to be muted and growth will not return to a sustained higher trajectory. It is vital that governments, both Union and state, re-examine their approach towards investment and prioritise policy stability.

Political circus

People of Maharashtra are the biggest losers

Maharashtra has come under President's rule after none of the political parties or formations was able to find the required numbers in the Assembly to form a government — an outcome even the brightest political analysts did not anticipate after last month's elections. Although the Bharatiya Janata Party (BJP) did not do as well as many were expecting, it got a comfortable majority in the 288-member Assembly with its pre-poll alliance partner, the Shiv Sena. But the latter had other plans and demanded an equal share in power with a claim on the chair of the chief minister — something that the BJP was unwilling to offer. It was widely speculated that the Sena would use the opportunity to bargain for plum ministries and ultimately join the government. But the Sena stayed stubborn and decided to explore other options. Predictably, it could not muster the required support within the timeframe set by the governor.

Clearly, the people of Maharashtra have been given short shrift. The BJP did the right thing by not attempting to form a government because it did not have the required numbers after the alliance with the Sena ended. It was obviously not practical to expect the BJP to serve as a junior partner in the alliance where it has roughly double the number of legislators the Sena has. The latter will have a lot of explaining to do because it will be held responsible for the political uncertainty if it is not able to bring together the Congress and Nationalist Congress Party (NCP) to form the government. It is clear that the Sena miscalculated the alternative scenario of leading a state government with the support of the two parties. Evidently, it will not be easy for the Congress and the NCP to support or be part of a Sena-led government. Even if all these parties come together, it would be an inherently unstable coalition. There is nothing wrong or new in realignment of political forces, but the Congress supporting or becoming part of a Sena-led government would be strange. It would also be difficult for the Sena to support a government led by the NCP, as it will defeat the purpose of breaking the alliance with the BJP.

Questions have also been raised about the role of the governor, who has been blamed for recommending President's rule in a hurry even as political parties were asking for time to discuss the modalities of government formation. The governor should have exhausted all avenues before recommending President's rule. Although technically President's rule does not stop political parties from exploring options, it is possible that the state will remain under Central rule for an extended period. As things stand today, no one has gained from the political shift in the state. Political parties have been exposed and the credibility of the office of the governor has taken a knock. But the biggest losers are the people of Maharashtra, who don't have a government and might have to fund another election.

ILLUSTRATION: BINAY SINHA

Chinese air force's long march

The PLA has clearly spelt out its aggressive military doctrine. India must be ready to meet this threat

BROADSWORD

AJAI SHUKLA

When Mao Zedong declared the founding of the People's Republic of China in Beijing on October 1, 1949, the country had just 17 military aircraft. Legend has it that this little fleet — nine fighters, two bombers, three carriers, one communication plane and two trainers — overflew Tiananmen Square twice each to give the jubilant masses the impression they had an air force. The next month, on November 11, 1949, Mao proclaimed the People's Liberation Army (Air Force) as a separate service.

How things have changed! The PLA (AF) is now a 400,000-person force that flies some 2,000 combat aircraft — more than thrice the size of the Indian Air Force (IAF). On Sunday, a PLA (AF) video, released to celebrate its 70th anniversary, boasted a range of sophisticated warplanes, most developed in China. These include the fifth-generation J-20 stealth fighter that has begun entering service, the J-16 Shenyang fighter (an advanced version of the Sukhoi-30), the H-6N strategic bomber, which reputedly launches the "aircraft carrier killer" Dongfeng-21D ballistic missile, the Y-20 transport aircraft that takes aloft 66 tonnes of payload, and the KJ-2000 airborne early warning system.

The 1962 Sino-Indian war was fought entirely between land troops, with neither side using its air force or navy against each other. But in a military face-off today, the PLA's ungracefully-named military doctrine of "limited war under conditions of Informationisation" (gobbledygook for a digitally-enabled, highly transparent battlefield) will see a major role for the PLA (AF), operating in numbers from the 10-odd air bases that experts assess have been readied in Tibet. It is, therefore, worth retracing the PLA(AF)'s journey.

The year after its humble beginnings in 1949, the PLA (AF) got a major boost from the Korean War, when Stalin and Mao reached an unholy bargain: Russia would bulk up the PLA (AF) with the mass-produced, highly-capable MiG-15, and train Chinese pilots and technicians to fly and maintain combat aircraft. In return, China would serve as a Russian proxy against the United Nations coalition in Korea, especially the United States Air Force (USAF). Between 1950 and 1953, both sides lost hundreds of fighters and pilots, including dozens of Russian pilots flying in North Korean uniforms. The experience garnered enabled Russia to incrementally develop the MiG-15 into the MiG-17, MiG-19 and the legendary MiG-21; with China eventually building all four fighters under licence. The USAF, meanwhile, improved the supersonic F-86 Sabre fighters into an advanced version that Washington later supplied to Pakistan, which used them against the IAF in 1965 and 1971.

The Korean War gave China its first fighter aces and — more importantly for Mao — a capable, experienced air force. According to accounts from that time, when Stalin complained about China's reluctance to engage the USAF in air combat more aggressively, Mao expressed his readiness to get a million Chinese killed in combat in Korea, but he would not endanger the existence of his new air force. It is important to note that China's shiny new air force has had very limited combat experience since the Korean War. Analysts, including those at the USAF-linked RAND Corporation, assess that despite the PLA (AF)'s instructional regime, which seeks to train pilots under "actual combat conditions", it is ill-prepared to fight and win against well-drilled air forces such as the USAF.

After the Korean war, the PLA (AF) entered a period of steep decline caused by the Sino-Soviet split and by the internal turmoil of the Great Leap Forward and the Cultural Revolution. After Mao's death, Deng Xiaoping began reforming the PLA; Communist Party insiders have said he engineered the abortive 1979 invasion of Vietnam only to illustrate the PLA's deficiencies and need for reform. The PLA (AF) also learned lessons from Britain's invasion of the Falklands and Israel's destruction of Syrian air defence systems in Lebanon's Bekaa Valley in 1982. Deng realised the importance of air power and space assets. He allowed the PLA (AF), hitherto focused on supporting the land campaign, to begin developing an independent strategy.

The dazzling success of the US "AirLand Battle" doctrine in the first Gulf War in 1991 caused the PLA to adopt the doctrine of "limited war under high-tech conditions", which envisioned wars being prosecuted by relatively small, flexible, heavily armed, tri-service troops. The White Paper of 2004 adopted the current doctrine of "limited war under conditions of informationisation", which envisioned real-time advanced communications to digitally integrate land, sea, air and space sensors, and the use of precision munitions to accurately strike the targets thus identified.

Given this doctrinal backdrop, what role would the PLA (AF) play, and what missions would it perform, in a future war with India? These would be limited by a geographical imperative — the Tibetan Plateau, which consists of a 1,000-2,000 kilometre buffer between the Chinese and Indian mainlands. PLA (AF) aircraft, operating from Chengdu and Kunming, in South China — the mainland bases closest to India — would have a one-way journey of 1,000 kilometres to enter the Assam plains. Even with mid-air refuelling, that would leave the aircraft with little mission time, especially for targets deeper inside India. Consequently, the PLA (AF) would have to operate from Tibet, for which it has created and stocked at least several air bases, including Lhasa, Golmud, Nyingchi and Shigatse. But while these are significantly closer to Indian targets (Lhasa is less than 400 kilometres from Tezpur) PLA (AF) fighters taking off from air bases on the 10,000-feet-high Tibetan plateau would face serious limitations on the weapons and fuel payload they can get aloft with. To overcome this, they would require mid-air refuelling after take-off, a cumbersome process carried out at high altitude, during which they would be easily detected by Indian radar, providing IAF fighters, air defence guns and missile systems ample time to react.

To degrade the IAF's response time and capability, the PLA would very likely begin the war with cruise and ballistic missile strikes on Indian air bases in Assam, such as Tezpur, Bagdogra and Hashimara, using conventional-tipped missiles from the PLA's so-called Second Artillery — an arsenal of strategic missiles with either conventional or nuclear warheads. This might be preceded, or accompanied, by a carefully directed cyber attack to disable the IAF's surveillance network, satellite communications and command and control systems. Given China's demonstrated capability to target and destroy satellites in space, Indian communications and surveillance satellites would be fair game. A high-technology, broad-spectrum attack of this nature would not just be intended to clear the path for PLA (AF) fighter strikes in support of a ground offensive. Given that Beijing would stage-manage any attack on India as a global demonstration and warning of its Great Power military capabilities — the philosophy of "killing the monkey to scare the chickens" — a full-spectrum attack is a near certainty.

In the 1950s, the Red Army's legendary Marshal Zhu De had famously said, "The kind of war we will fight depends upon what kind of arms we have." That is now history. New China's aggressive doctrine now is: "Build the weapons to fight the war that we have to fight." It is this attitude and the capabilities it has spawned that India's military must diligently prepare for. As recently as 1999, facing the prospect of a war in Kargil, Indian Army chief, General VP Malik was bravely echoing Marshal Zhu. It would be worth recalling the famous comment of French marshal Pierre Bosquet after he witnessed the suicidal Charge of the Light Brigade in 1854 in Crimea: "*C'est magnifique, mais ce n'est pas la guerre*." (It is magnificent, but it is not war.)

India's multiple asymmetries

SWOT

KANIKA DATTA

Strong governments from Stalin onwards unfailingly aim for Olympian heights: Their achievements are always the biggest, tallest, highest, fastest and so on (Stalin even claimed to have the world's biggest department store, thumbing his communist nose at his capitalist competitors). Indians of a certain outlook are prone to making similar claims. Through the early noughties, for instance, Indian business delegations triumphantly touted the narrative of the "fastest growing democracy" at Davos and other global power talking shops. At least for a while, that claim had the virtue of being true. Now that we can no longer parade that line, we are left with such sundry claims as the world's tallest statue, the world's largest sanitation project and, of course, the world's largest identification programme. Only one of those are worthy of praise as a solid achievement.

Till the current self-created economic slowdown ends — exactly when is the subject of fierce debate among economists — we can safely wallow in India's greatness in a mythical golden age when we apparently knew all about nuclear weapons and plastic surgery. Having attracted no small amount of derision for propagating these notions, Indian leaders have moved beyond those claims to talking instead about India's impending transformation (and it's always forthcoming) into a political and economic superpower. If we take at face value the claim that the world has suddenly started respecting India as a dynamic 21st century power, then the world must surely have been puzzled last week by the frenzied national attention on a Supreme Court verdict concerning a dispute predicated on claims clouded in the mists of history.

The merits and demerits of the judgment aside, surely, there are other urgent pending issues that should be consuming the energies of the highest court in the land? The Ayodhya hearings were fast-tracked even as some 60,000 cases are pending in the apex court. Now that the issue has been settled largely to majoritarian satisfaction, let's take a closer look at other asymmetries in modern, aspiring India that deserve focused governmental attention.

Here's one. The country has become a centre for upscale medical tourism. It's not just the routine surgeries, Indian doctors can perform intricate medical feats that get feted in the media. The irony is that only rich foreigners and a minuscule proportion of very rich Indians can afford these services. The Ayushman Bharat medical insurance scheme has improved the access of poor and lower middle class Indians to better healthcare such as dialysis and surgical care. But access to basic healthcare in the shape of doctors, hospital beds, nursing care and even genuine medicines and so on remain depressingly low as the Economic Survey points out each year.

Here's another. International Air Transport Association statistics put the growth in Indian domestic air travel at the fastest growing for the fourth year in a row. Some 140 million Indian travelled last year, according to the Directorate General of Civil Aviation, though this statistic may need to be deflated a bit since it could include multiple journeys. India also boasts the world's ninth busiest airport. This is certainly a sign of upward mobility — and is largely on account of cheap fares by fiercely competitive private airlines that made air travel affordable for the middle class. But several multiples of that number still travel by train — and the increasingly parlous state of India's railway network and infrastructure has consumed much frenzied analysis over the decades without much change.

And a third. IITs and IIMs churn out engineers and management students that global corporations rush to snap up at eye-popping salaries. Yet each year, surveys suggest that Indian children are unable to read and do math for standards several rungs below.

None of these problems have been created by the current regime — they've been around for decades. But for a ruling dispensation that has focused so acutely on progress and development, surely these are more worthy of focused political attention than a temple and a mosque.

Nobel thoughts

BOOK REVIEW

RAJESH KUMAR

It is rare that authors of a book one is reading, with an interview scheduled with one of the co-authors, win the Nobel Prize. In that the sense, reading *Good Economics for Hard Times: Better Answers to Our Biggest Problems* and the following conversation with Abhijit Banerjee — edited excerpts of which were published in this newspaper on October 22 — was a unique experience for this writer. Mr Banerjee and Esther Duflo, along with Michael Kremer, were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel this year "for their experimental approach to alleviating global poverty." The approach was captured by Mr Banerjee and Ms Duflo in *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* (2011), which was awarded the *Financial Times* and Goldman Sachs Business Book of the Year Award. Although their work has been criticised by several economists, it has influenced policymaking and improved the understanding of poverty in general. For instance, the publication of *Poor Economics* convinced people about the distribution of bed nets to the poor. Globally, between 2014 and 2016, over 500 million insecticide-treated nets were delivered. According to one estimate, net distribution helped avert about 450 million deaths from malaria between 2000 and 2015.

Good Economics for Hard Times has a much broader canvas and covers globally important public policy issues, such as trade, immigration, environment and, of course, economic growth. In the context of trade, the popular wisdom is that it generates large gains and benefits everyone. Both tariff and non-tariff barriers have been brought down over the decades. However, there has been a backlash against trade in recent years. The world's largest economy, the United States, has turned protectionist and is involved in an ugly trade war with China, which has increased risks for the global economy. Mr Banerjee and Ms Duflo show that reallocation of labour doesn't occur as desired from industries that are hit by trade to other businesses and people end up losing jobs. More importantly, the authors note: "...the aggregate gains from trade, for a large economy like the US, are actually, quantitatively, quite small. The truth is, if the US were to go back to complete autarky, not trading with anybody, it would be poorer. But not that much poorer." It is not hard to argue that most economists and policy analysts would disagree with this. If large economies, such as the US, shut themselves for trade, it would affect investment and growth all over the world and everyone is likely to be worse off.

The authors have touched upon several policy-related issues in India. For instance, Delhi is currently battling severe air pollution with no permanent solution in sight. One of the suggestions mentioned in the book is that people of Delhi can pay farmers in neighbouring states to not burn crops and use better technology. There are a number of other things that need to be done to contain pollution as crop burning is one of the many reasons. Mr Banerjee and Ms Duflo rightly note that despite the urgency, political demand to address the issue is not overwhelming. The Supreme Court recently intervened in the matter. Part of the problem is that solutions require a lot of people to cooperate. Another interesting issue that finds space in the book is the desire for government jobs in India. Authors note that if such jobs are made not so desirable, the economy would gain from productive labour that is wasted in trying to get into the government. Young people prepare for years to get a government job. Mr Banerjee and Ms Duflo suggest that the government can limit the number of times an individual can apply and make cutoff age more stringent. These are suggestions worth considering, though part of the problem is that India is unable to create enough gainful employment in any sector to absorb its rising workforce.

One of the things that made headlines soon after the announcement of the Nobel Prize was Mr Banerjee's engagement with the Congress party on the Nyuntam Aay Yojana in the run-up to the 2019 Lok Sabha elections. Predictably, it acquired political colour in no time. However, the book has a more nuanced take on the issue of basic income. Mr Banerjee and Ms Duflo argue that there are good reasons for considering basic income in developing countries, and money to fund such a programme will initially need to come from existing subsidies. The level of income support that poor countries can afford would be ultra-basic. While the authors are in favour of universal ultra basic income (UUBI), they acknowledge that there is no data on its long-term impact. The idea of UUBI is appealing, but the problem in a country like India is that governments are prone to implementing new programmes without cutting expenditure on the existing ones. This is exactly what has happened with the income support programme for farmers. *Good Economics for Hard Times* raises several such issues and provides plenty of evidence to build arguments. This is not a book that people interested in public policy would miss. Readers in India would find it particularly engaging as policy issues facing the country figure prominently.

GOOD ECONOMICS FOR HARD TIMES: Better Answers To Our Biggest Problems
Abhijit Banerjee and Esther Duflo
Juggernaut; 416 pages; ₹699