When movies met streaming video

The creative and commercial fit between the film and streaming video business is almost perfect but so are the problems of scale and monetisation

MEDIASCOPE

VANITA KOHLI-KHANDEKAR

This Sunday saw the release of the third season of *The Crown*, an award-winning original series from Netflix. Olivia Colman takes on the mantle of Queen Elizabeth II played brilliantly by Claire Foy in the first two seasons. The journey of UK's reigning monarch begins with the young Elizabeth who stands her ground when it comes to marrying the man she loves but stumbles in her first few encounters as queen. As she learns to handle prime ministers like Winston Churchill or oversee the Suez crisis, the toll that being queen takes on her marriage and her relationship with her sister is upsetting. "The crown" comes first no matter what her personal beliefs and compunctions.

The Crown is a visual and intellectual treat. It is a lesson in history, human nature and most importantly in good filmmaking. Each 10-episode season takes almost 24 months to make. The research, writing, sets, production quality and performances ensure it could equally be released on the big screen. And that brings me to the point of this column. The creative and commercial fit of films with over-the-top or OTT is perfect; but just like films, scaling up is a big issue.

Take the creative bit. The demand for content on streaming video, across the world is going through the roof. In India from barely 20 hours in 2016, original content on the top 10 OTTs went to about 400 hours in 2018, says Media Partners Asia (MPA), a Singapore-based consulting firm. It estimates this will go to over 1,000 hours of fresh, long-form content by the end of 2019. That is about 300-500 new films or just under $500 million worth of film-quality content.

At over 1,600 films, India is the largest filmmaking country in the world but adding another 500 high-quality films is a tough ask. "We (Indians) are very good at making films but it takes a year to make one. In OTT, we need six of them in a year," says Vijay Venkataramanan, director of post-production for international originals, India, Netflix. Sameer Nair, CEO, Applause Entertainment, which has six shows online and many others in production reckons that it takes 12-24 months to make shows like *Criminal Justice*. While this has come down to 15 months over time, it shouldn't go below 12 if the quality of writing and production are to be maintained, says Nair.

The need is to scale up talent and skills fast without losing the creative idiom or robustness that the Indian creative industry is identified with. Incidentally, three Indian shows — *Sacred Games 1, Lust Stories, The Remix* — were nominated for the International Emmy Awards this year.

In October this year, Netflix hosted a four-day post-production training programme in Mumbai in collaboration with Amsterdam-based APostLab. There were sessions on visual and special effects, sound, music, workflow among other topics. More than 30 working professionals took part in it. But you need dozens of efforts like this if India's $1.2 billion film industry is to become a large-scale creator of shows and films.

On the commercial side, advertising is two-third of the ₹8,000 crore that streaming video is expected to make in revenues this year. However, subscription that brings the remaining one-third, funds the originals and brings in the margins since ad rates for every thousand viewers reached are pathetic. The Disney+ launch this month created high excitement but to my mind neutral aggregators such as Netflix are best placed to leverage the streaming market. Unlike say YouTube, Hotstar or Zee5 nothing subsidises Netflix and it has no existing business to protect. It is totally dependent on commissioning or licensing the best content possible so that people keep renewing their subscription.

The parallel with film is evident. Films are not subsidised or protected through any import quotas on foreign films. Indian films have survived and thrived because people vote for them with their wallets. Therefore, the fact that almost all OTT brands in India have a fast growing subscription element is good news. Even better is the fact that this doubled in 2019 over 2018.

Here is hoping that Indian OTTs hit the sweet spot that combines scale, quality and profitability.

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CHINESE WHISPERS

TV within TV

Rajya Sabha TV (RSTV) and Lok Sabha TV (LSTV) will be merged soon. The point of interest is which of the two will lose its identity. By any reckoning RSTV has a far greater brand value but LSTV has the financial and administrative muscle. For viewers, it is the redrawing of the landscape of India's public service broadcast but for those inside, it is about whose team retains the whip and, more importantly, whether the vice-president or the speaker nominates the chief executive officer from now.

A birthday to forget

It was a birthday he would surely like to forget. Wildlife activist Ajay Dubey shot off a complaint to district forest officer of Bhopal after Pradesh Congress Committee office bearers released some caged birds on the occasion of Madhya Pradesh Chief Minister Kamal Nath's *(pictured)* birthday. While most party workers greeted the Congress stalwart, there was no birthday message from former party president Rahul Gandhi or his sister Priyanka Gandhi. Earlier in the day, an advertisement published in local dailies to greet Nath spoke of things like "Nath's loss in the 1996 polls" and how in 1993 his name was on the list of contenders for the chief minister's post but he lost the race to Digvijaya Singh, whose name Arjun Singh had recommended. The Congress washed its hands of the matter, saying the party had not authorised the advertisement.

Corruption fodder

After Uttar Pradesh Deputy Chief Minister Keshav Prasad Maurya shot off a letter to Chief Minister Yogi Adityanath *(pictured)*, alleging corruption in the Lucknow Development Authority (LDA), two legislators of the ruling Bharatiya Janata Party (BJP) have voiced similar concerns. In separate social media posts, Shyam Prakash and Baburam Paswan observed that bureaucrats and officials "have continued" their sharp practices. They claimed even ruling party workers and leaders were at the receiving end of the high-handedness of officials. Although the two leaders have offered reasons for their outburst, the controversy has given fresh fodder to the Opposition to attack the government.

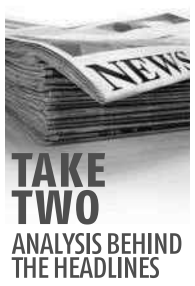
Tata Power's contrarian move off the grid

Saubhagya made micro- and mini-grid projects almost redundant but the Tata group company sees opportunity in the business

JYOTI MUKUL

Mini grids set up by energy supply companies spawned by Smart Power India in Bihar

In March 2019, when the BJP government at the Centre declared that its target of household electrification has been achieved, the announcement was a setback for off-grid power generators in myriad places across the country. Grid power travelling long distances from generation units through intense network of wires and sub-stations was much cheaper than what they could generate. This happened even as some portion of household electrification or the Saubhagya programme was itself achieved through the off grid systems, especially in remote areas which could not be connected to grids.



Off grid systems are not connected to the mainline power network. They generate and distribute electricity locally. Mostly based on renewable energy sources or hybrid solutions, such as solar and battery, or biogas, solar and diesel, they are especially found suitable for rural areas. Some of them precede the Centre's Saubhagya programme.

Even as there is a question mark on the survival of off-grid, an unexpected entry of a big player such as Tata Power has thrown in a whole new concept in rural electrification. Tata Power would now be taking the space that was hitherto occupied by small energy supply companies or ESCOs that formed the backbone of off grid power infrastructure.

It all began when Tata Power's current managing director and chief executive officer Praveer Sinha was earlier in Delhi as the group's Delhi distribution business head. His interest in off grid business led him to speak to Smart Power India (SPI), a division of Rockefeller Foundation. He wanted them to do some pilots. This interest catapulted into Tata Power announcing the launch of a separate entity TP Renewable Microgrid Ltd.

SPI, with its expertise in this business and strong learning from projects spawned by it, would be providing support to the new company, besides promoting micro enterprises to create non-residential demand load in identified villages. SPI will depute about three to five of its members to TP Renewable to train and select sites. For this, they will be signing a memorandum of understanding soon.

Interestingly, TP Renewable has set a target of 10,000 micro grids which is same as what the government's draft policy for the sector envisaged in 2016. Though buried under the huge load of other programmes, the policy envisaged India building at least 10,000 micro grids and mini-grids using renewable technology across the country by 2021 with a total of 500 MW capacity.

The policy defined a 'mini grid' as a system having a RE-based electricity generator with capacity of 10KW and above, and supplying electricity to a target set of consumers through a public distribution network (PDN). A 'micro grid' system has generation capacity of below 10KW. Micro and mini grids generally operate in isolation to the electricity networks of the distribution company's grid and are, therefore, stand alone, but can also interconnect with the grid to exchange power. If connected to grid they are termed as grid connected mini and micro grid.

The 103-year-old Tata Power is a power distributor in the cities of Delhi and Mumbai. It is also has a distribution franchisee agreement (DFA) with Ajmer Vidyut Vitran Nigam Limited (AVVNL) to cater to the power requirements of customers in Rajasthan's Ajmer for a period of 20 years. Now, getting into a business of managing power village-by-village will mean going down to micro level scale of distributed energy generation and management. This foray may appear dichotomous for a company that together with its subsidiaries and joint ventures has a generation capacity of 10,763 MW.

Sinha, however, is clear: "This is the leadership (which) Tata Power will have to demonstrate and if 25 million people have to be impacted, it has to be Tata Power." In the first phase, some 200 villages have been identified in Uttar Pradesh, Bihar and some parts of Assam. The criteria being that a minimum of 400 houses in each village.

For Rockefeller which was finding it hard to expand through much smaller ESCOs, some of whom decided to scale down the business after the entry of grid power, Tata Power as a partner will have the wherewithal to expand the numbers.

The two partners have based their belief on the fact that despite the presence of grid power, small entrepreneurs, farmers, shop owners and even households would always want a more reliable power supply. They will be ready to pay a bit more for it than grid power. Usually power from this micro grids are sold in packages that have fixed charge according to the load and the number of hours. An ESCO in Bihar, for instance, charges ₹300 for using 10 units (kw/hour) for ₹300 a month after which every extra unit is charged ₹27. This is in contrast to ₹6.15 a unit charged by state's distribution company for the first 50 units of power supplied to domestic consumers.

Rajiv J Shah, president, The Rockefeller Foundation, further adds the endeavour is to build the whole ecosystem. It is not just about supplying power but supporting micro enterprises, financing, insurance and marketing. "Between the Smart Power India and Tata Power, we will be creating an end-to-end solution of creating economic activity as well as supplying power," he says.

Nonetheless, the creation of TP Renewable comes at a time when power demand has started falling. According to the Central Electricity Authority, electricity demand from distribution utilities declined for third month in October by falling 13.2 per cent from a year earlier. Clearly, Tata Power is seeing growth in rural India and is ready to bet on small parcels of power generation and distribution risks across the country's villages rather than mega cities.

INSIGHT

Pulling out of RCEP not just an economic decision

Modi's RCEP move shows sound political judgement. Don't scoff, it's rare these days

YOGENDRA YADAV

Prime Minister Narendra Modi exercised sound political judgement in deciding to keep India out of the Regional Comprehensive Economic Partnership or RCEP, right in the middle of the Bangkok meet called to seal the seven-year old negotiations.

This was a big decision. The RCEP is no ordinary free trade agreement. This could be the largest regional trade agreement in the world involving 16 countries from Southeast Asia and East Asia, as well as China, Australia and New Zealand. If India had joined the pact, the RCEP would have encompassed half of the world's population and 35 per cent of the global GDP. This was not just a free trade agreement about import and export of commodities; it covered goods, services, investment and intellectual property rights. This would have affected crores of Indians involved in primary, secondary and tertiary sectors of the economy over a very long period.

It was a tough decision. There were good arguments on both sides. It is not an easy call to keep off from such a large agreement with potentially huge volumes of trade and investment. You don't need to know the principle of comparative advantage to understand the simple economic rationale for international trade. Keeping away from zero or low tariff trade is to deny yourself the possibility of cheap goods and services from outside and bigger markets for your own products. The decision is bound to invite serious and credible criticism. Shekhar Gupta, the Editor-in-Chief of ThePrint is also among the critics of this decision. The general image of India turning "protectionist" might hurt in global fora.

This must have been a personal decision. With the departure of Arun Jaitley, now Narendra Modi has no one whose judgement he can trust on matters economic. Nirmala Sitharaman has not covered herself in glory in her stint so far as the finance minister. His Commerce Minister Piyush Goyal is a proverbial *bin-pendi-ka-lota* (rolling stone), unless he is speaking on grave matters of gravity. Until last week, Goyal was singing praises of the RCEP and calling out sceptics. As for expert advice, barring a few exceptions, Prime Minister Modi has managed to surround himself with advisers who cannot tell him anything other than what they think he wants to hear. So, there was a made-to-order expert group report advocating the RCEP.

This was a super complex decision. The calculus of expected gains and losses was hard to sum up. There were many genuine advantages — IT sector, health professionals and teachers were eyeing additional jobs. The Indian pharmaceutical industry looked forward to bigger markets. Industry wanted cheaper steel. And of course, the consumers could benefit from cheaper goods, and not just from China.

All these potential gains had to be weighed against serious possible losses. Indian manufacturers feared an onslaught of cheap Chinese goods. Retailers feared big investment in e-commerce, further marginalising their business. Some of the local industry and trade may have been seeking protection to hide their inefficiencies, but there was an underlying, and legitimate, need for state support against predatory trade. And the timing was just plain bad, what with the economic slowdown, falling revenue, rising trade deficit and growing unemployment at home.

The biggest anxiety concerned the producers of primary goods. The partial experience of earlier free trade agreements and the losses to rubber, coffee, coconut, cardamom and pepper farmers had served a warning to Indian agriculture. A similar fate awaited wheat, cotton and oilseed farmers if India embraced the RCEP. All the major farmers' groupings — from the All India Kisan Sangharsh Samiti (AIKSCC) and the Indian Coordination Committee of Farmers Movement (ICCFM) to RSS-backed Swadeshi Jagaran Manch — stood in staunch opposition to the deal. The dairy sector faced a near-certain disruption as RCEP was bound to open the doors for cheap and subsidised milk powder from New Zealand. Cooperative dairies were up in arms, led by no less than R S Sodhi, the managing director of Amul. This is why India had so far kept agriculture more or less off the FTAs.

So, the calculus of RCEP worked out to intangible gains in the long-run versus tangible and immediate losses, forcing the domestic industry to face competition now versus later, consumer versus producers, a few corporates versus a vast number of small manufacturers, traders and farmers.

This was not just an economic decision. This involved taking a call not just on India's foreign policy but also on India's role in the evolving world. This has been a weak spot for PM Modi, even though he has abler assistance now. It is one thing to organise NRI spectacles abroad, and quite another to engage in hard-core global diplomacy. The RCEP was seen as an opportunity to tap into the China-US trade war. The informal Mamallapuram summit with President Xi Jinping was mainly an attempt to open the doors for that. Apparently, it did not work. Meanwhile, the PM has had better success with US President Donald Trump. At least he thinks he has. So, there is a temptation to balance China with the US with the help of an FTA with the latter.

Finally, this was a political decision. Signing the RCEP would have invited consolidation of opposition against him, from movements to political parties. This would have lent strength to accusations of an anti-farmer and anti-small trader government. Significantly, the Congress had at last woken up and had taken an anti-RCEP position, reversing its earlier posture. The evocative statement by Jairam Ramesh, likening the RCEP to the third *jhatka* after demonetisation and the GST, could become the war cry of opposition. This was the last thing Narendra Modi needed just when Haryana and Maharashtra election had reminded the BJP that economic woes have not disappeared from the voters' mind.

Hence the sudden recall of Gandhiji's talisman. You might call it a cover-up. You might say that the reference to farmers' interest is in bad faith. The breaking point of the negotiation was not agriculture or dairy, but the Indian government's demand for assured market access in export of goods and services and an import cap on China. You could call it a case of sour grapes after the failure of the Mamallapuram summit. You could call it a hasty retreat, making a virtue of political necessity. Yes, it is all that. But it is much more than that.

I call it political judgement. Don't sneeze at it. It's a scarce commodity these days.

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The author is the national president of Swaraj India. Views are personal

LETTERS

Monitor banks actively

This refers to "Beyond deposit insurance" (November 19). The move to raise deposit insurance limit from ₹1 lakh to ₹5 lakh, besides the new scheme under consideration for covering wholesale deposits up to ₹25 lakh should offer adequate protection to retail depositors. Retirees are the most vulnerable section, who invest their hard-earned terminal benefits in neighbourhood cooperative banks, lured by the higher rates of interests offered by them, only to be left in the lurch when these entities fold up for reasons unknown. Senior citizens cannot spread their investments in different banks as monitoring the same and filing their annual IT returns can be cumbersome. To them, the moves under consideration will certainly come as a boon.

Having said that, there is also an urgent need to introduce reforms in the functioning of cooperative banks by bringing them under the exclusive oversight of the Reserve Bank of India (RBI). Sectors such as real estate also need to be taken out of their ambit of lending so that they serve the purpose for which they were set up, — namely, to extend credit to agriculturists, small borrowers and businesses. Above all, the RBI's supervision of banks too needs to be much more proactive.

V Jayaraman Chennai

A win-win solution

This refers to your article "NHAI to issue land bonds for acquisition from states" (November 19). The procedure converts expenditure into investment for rational utilisation of the fiscal resources by both the Centre and the states. Improvement in infrastructure is a job in progress as the economy develops and requirements change. The outright purchase of land involves heavy expenditure by the National Highways Authority of India (NHAI) when land is purchased at substantial cost especially in urban areas. It is a wasteful outflow of capital for NHAI and consequently, a financial risk. Such funds can instead be ploughed back as capital for productive deployment. Additionally, bonds are debt instruments payable on demand. Bonds will not be demanded back wholesale by states and stakeholders and funds can thus be utilised prudently benefiting both the NHAI and the states. The former acquires capital and the latter interest earnings. The states in turn can convert such interest revenue into capital for their internal economic development. Such rotation of funds will help both sides.

C Gopinath Nair Kochi

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Fix first, politicise later

Delhi's poor water quality needs urgent solutions

Indian politicians have an uncanny knack of turning the hardships they foster on electorates into political issues that preclude problem solving. The recent Bureau of Indian Standards (BIS) report revealing the abysmal quality of Delhi's drinking water has sparked just such a political controversy and has diverted attention from the search for solutions. Last week, the BIS report showed that the National Capital Territory's (which is Delhi's) tap water was the most unsafe among 21 state capitals. The state failed on all 19 parameters, with Mumbai (no failure), Bhubaneshwar (one failure), and Hyderabad (one failure) coming up trumps. For any responsible state administration, the report should have encouraged some serious introspection. It certainly reflects poorly on the ruling Aam Aadmi Party (AAP). The BIS report is particularly embarrassing for AAP because it discredits Chief Minister Arvind Kejriwal's controversial 2015 move to distribute water free or at hugely subsidised rates — which prompted the resignation of at least one senior bureaucrat in protest — and the matter was compounded by mandating a wholesale waiver of water dues earlier this year.

In effect, the Delhi government has been distributing contaminated water — albeit mostly free — to the denizens of the city-state for the past five years. Investment in more robust water treatment plants that the pricing of water would have enabled (not to speak of promoting conservation in this parched city) is an obvious solution but probably unviable, with Assembly elections just three months away. But like most politicians caught in a populist trap of his own making, Mr Kejriwal has chosen the default position of aggressive denial, accusing the report of being "false and politically motivated". Apart from revealing institutional distrust in the government's standards-setting body, Mr Kejriwal has not explained why other state capitals ruled by opposition parties should have done better than his city. He would have done well to accept the BIS study and work with the administration to work out ways to fix the system instead.

Union Consumer Affairs Minister Ram Vilas Paswan has sought to politicise the issue by issuing a challenge to name officials to a joint team to re-test drinking water in the city. It is unclear why this exercise should be necessary, although Mr Kejriwal has chosen to take the bait and issued his own counter challenge. This absurd trading of charges between the two politicians best placed to actually address the crisis takes place even as Delhi's poorer denizens continue to imbibe water contaminated by hazardous metal traces and E-coli bacteria (the rich can afford water-treatment devices). These are the same poor people from which politicians will solicit votes in a couple of months. As with air pollution, the political battle over water quality underlines the moral bankruptcy of India's leadership. Mr Paswan may be gleeful at the BIS revelations and its impact on AAP's electoral prospects. But when set against his own government's pledge to provide Clean Drinking Water for All by 2024, he may need to pause and assess the similar risks inherent in this plan. As he will discover, air pollution and water contamination are politically agnostic issues.

Reversal of globalisation

The issue of inequality remains unaddressed

In this era of renewed nationalism, can and should globalisation be saved? As country after country has turned inward, putting up increased trade barriers or cracking down on migration, there are several theories as to why, but few are asking how, coherently, this turn to nationalism — in fact, towards nativism — can be countered. But first, is it in fact necessary to reverse this trend? As Nitin Desai, a *Business Standard* columnist, argued in his recent Pochhammer Address in New Delhi, the world continues to face global problems that require if not global solutions then at least some form of co-ordinated action. An approach to, say, climate change, which simply consists of countries negotiating on the basis of their own national interests is clearly sub-optimal — as can be seen from the relative disappointment that is the Paris Agreement on climate change and the fact that even that underwhelming treaty is not being followed by countries like the US. Mr Desai argues that such negotiation can help when the question is the division of benefits, such as happens in the case of trade negotiations, but is less useful when the question is sharing costs, as in climate change.

The reasons why politics, including in democracies, has turned against globalisation is also easy to understand. The fortunes of trade as a political subject depend on how the state and the establishment feel it affects their well-being. In the days of mercantilism, foreign engagement was needed to build up a stock of treasure; in more recent times, as Mr Desai points out, trade was not questioned by establishments because it was a solid source of revenue. But as the gains from trade have both grown and become more diffuse, it is harder, especially in democracies, to create a pro-trade constituency that can overwhelm the statist instincts of politicians and bureaucrats. The inability to address questions of inequality and revenue in the age of globalisation have also not helped.

So how can the march of regressive nationalism and nativism be stopped? Clearly, there will be no world government anytime soon, nor are multilateral organisations increasing in effectiveness and power. How then can citizens of one country be given a voice and a stake in decisions taken by the governments of another country — the next best approach towards global co-operation? One possible answer is particularly intriguing. It is possible to "increase the engagement and impact of those whose global concerns are centred around issues rather than national interest". In other words, if you raise the power and position of international coalitions of solidarity, or of non-governmental organisations that have grassroots representation and endeavour to address a particular problem, then the inward turn of the past decades might be partially addressed. Mr Desai points out that "this has happened to some extent in areas like environmental management, women's rights, children's rights and so on". Issue-based lobbies can transcend borders, and create new networks of sympathy and empathy. It is such issue-based alliances that perhaps represent the best hope for a future in which humanity does not live in a world with walls everywhere.

ILLUSTRATION: BINAY SINHA

Tax havens and sovereignty

There is a built-in inconsistency in addressing both

What is proposed in this article is that there is a definitive link between tax sovereignty and tax havens. Nation states protect their fiscal policy and tax sovereignty in particular. One can view it from the beginning of time as a source of war finance. In the last millennia, the association of tax with war became unmistakable in medieval Europe, Asia and, later, the United States. When sovereignty had to be protected, the instrument was war, and an easy way to finance war was through taxes. There was a *quid pro quo* in that the sovereign state was responsible, in turn, for protecting its citizens and enhancing their welfare.

PARTHASARATHI SHOME

Over the last century, with a well-established practice of the sovereignty of nations to tax, countries found that a business might, and sometimes did, have to pay tax on the same income in more than one country. Thus, bilateral (a set of two countries) Double Taxation Avoidance Agreements (DTAAs) emerged as a preferred device to minimise cross-border double taxation of the taxpayer operating in both those countries.

The ramifications of DTAAs were not entirely clean, however. For one, some multi-national company (MNC) taxpayers could now shop around among different DTAAs to locate the management of their company in a country to derive maximum tax benefit, delinked from the extent of value added being generated there. Two, the DTAAs themselves revealed the underlying respective bargaining powers of countries — closely linked to their economic strengths and political power — thus, in a way exacerbating the inequity already prevalent among sovereign nations. And, three, some countries, often with the tacit understanding — if not encouragement of selected advanced countries — reduced their tax rates to a low enough level to be called tax havens, thus making it attractive for MNCs to locate their management, however questionably defined, there.

MNC tax avoidance was recognised as a heavy burden on nation states — advanced and emerging alike — with the appearance of the 2008-09 global economic crisis. The world's interest in multilateralism in tax conventions took a sharp favourable turn at that point. And so the Base Erosion and Profit Shifting (BEPS) project was born as a G-20 sponsored concept materialised by the OECD.

By and large, advanced economies had not taken steps to eradicate tax havens — that were linked to themselves though perhaps from a distance — used by MNCs to avoid global taxation. This behaviour reveals that some of them want an escape route from the likely severity of any international tax burdens on their own MNCs or individuals. The OECD cannot be said to be indifferent to the existence or deleterious ramifications of tax havens but does not directly address the prevalence, control or dilution of tax havens. It has focused, rather, on marginal disincentives from double taxation on cross-border investment and, subsequently, taken up MNC tax avoidance through its elaborate BEPS Actions — 15 in number — with aplomb.

However, the European Union (EU) has taken up the tax havens issue directly over 2016-19 by issuing a code of conduct, drawing up a blacklist and a grey list of offenders. Yet, not surprisingly, Oxfam, an NGO that fiercely tracks MNC misbehaviour, has given their view on it, raising issue with the EU as to why some countries were in the latter list and not the former, and why some had not been included in either list. Nevertheless it has to be recognised that the EU is at least addressing the issue.

Oxfam names 18 jurisdictions that are likely to comprise EU's updated blacklist totalling 23. They are worth identifying, namely, American Samoa, Bahrain, Cape Verde, Cook Islands, Dominica, Fiji, Grenada, Guam, Marshall Islands Morocco, Nauru, New Caledonia, Niue, Oman, Palau, Saint Kitts and Nevis, Samoa, Trinidad and Tobago, Turkey, Turks and Caicos Islands, the UAE, the US Virgin Islands, Vanuatu.

Nothing could be more apparent in the list than the overwhelming presence of small island nations that are hardly self-sustainable and continue to be economically dependent on their erstwhile colonial connections. In a *quid pro quo*, they offer tax protection to the latter's MNCs whose management is strategically anchored in the former. This comfortable arrangement has continued in the guise of tax sovereignty of nation states that falls under the Westphalian philosophy of sovereign state entities possessing the monopoly of force within their mutually recognised territories.

Along those lines, western scholars continue to question the merit of any sacrifice in tax sovereignty. By and large, they pursue both the merits of tax sovereignty as a philosophy to be protected and tax havens as a practice to be confronted. They appear to want both, bypassing the built-in contradiction between the two. Some have feared that multilateralism will deplete the rights of countries to say "no" when needed to safeguard or preserve their sovereignty. They do not emphasise sufficiently that sheer adherence to sovereignty without modifying it to fit the needs of a modern global society has led to contradictions through DTAAs, mushrooming of tax havens, and strategic MNC location there, detrimental to the Pareto-optimal[1] progress of a global society.

It is not that academicians and scholars have not recognised the in-built conflict. To quote a comprehensive observation of scholar Ronen Palan[2] on the issue: "Tax havens cannot simply be legislated away, because they are not perversions of the principle of sovereignty as much as they are a direct outcome of the conflicting principles of national sovereignty in the age of mobile capital. Consequently, any serious attempt to combat the tax haven phenomenon would have to be conducted at a multilateral level, and would have great implications for the modern doctrine of sovereignty. The abolition of tax havens would require a degree of cooperation among industrialised countries and a limit on the sovereign rights of states, which would effectively spell the end of the so-called Westphalian system."

The ink dries before one can infer what the final normative stand is of the author — as of some others — on multilateral sovereignty pooling.

1. A condition whereby anyone can gain but no one can be worse-off

2. Ronen Palan, "Tax Havens and Commercialization of State Sovereignty," City University of London, 2014

Needed: A white paper on the Indian economy

The Indian economy is going through a phase in which it is difficult to spot a piece of good news. Economic growth is slowing. Exports continue to decline. Retail inflation is on the rise. Jobs are not growing. Bank credit growth has decelerated. Electricity use has dropped. Tax revenues are growing at a slow pace — much less than what the Budget had projected, making the government's target for fiscal deficit in the current year unachievable.

The sentiment, a key factor in an economy, is also on a downswing. Of course, a few steps have been taken by the government in the past few weeks like the cut in the corporation tax rates and the announcement of packages for reviving housing, real estate, automobiles and exports. But there has as yet been no respite from economic distress.

What should the government do? Different proposals to revive the economy are reportedly under consideration. They range from a package of additional investment for infrastructure, changes in income-tax rates, policy reforms and privatisation. These measures will help, but their impact would not be immediate. Before even ensuring an improvement in the key economic growth numbers, it will be important to address the current downbeat mood in the economy. Economic sentiment is as important as the actual data on the economy. So, here is an attempt at listing out a couple of measures that the government should examine to start the process of reversing the downturn in the current mood.

The first big step that the government must consider is to come out with a white paper on the state of the Indian economy. Various members of the government and several other institutions, including think tanks and rating agencies, have made different comments on the nature of the problem and the challenges that the Indian economy faces at present. The markets and industry are not sure which narratives they must accept and which ones they can reject. This uncertainty has also helped fuel the negative sentiment on the economy.

Therefore, this is the ideal time for the government to come out with a status paper revealing what it believes to be the Indian economy's actual condition and prospects. Such a document can be prepared quickly and its credibility will be enhanced if the task is given to an independent economist who could prepare a report with the help of government economists, experts and officials in the finance ministry. Remember the report by Vijay L Kelkar on the state of the economy during the winter of 2012! The Indian economy needs something similar.

NEW DELHI DIARY

A K BHATTACHARYA

Such a report should help the government manage people's expectations from the Budget, due to be presented in less than 11 weeks from now. These expectations are running high and it would be good to place these expectations in the context of the current state of the economy. A report on the economy by an independent expert will help present the current scenario and the challenges that lie ahead. The pre-Budget Economic Survey, to be presented just a day or two before the Budget, will be a bit too late for managing such expectations.

The report will also help the government to take the country into confidence as far as the problems its own finances are suffering from are concerned. Its revenue flows so far in the year do not inspire anybody's confidence about the government's ability to meet its fiscal deficit target of 3.3 per cent of gross domestic product (GDP) for 2019-20. Different estimates on the government's revised fiscal deficit number and the extent of extra-Budget borrowings are doing the rounds.

A status paper on the economy would be able to end all such speculation. Instead of the Budget revealing those numbers, it would be advisable to let the white paper on the Indian economy bring out the bad news. That will also allow the Budget to focus more on the policies that need to be reformed and the new expenditure packages that are necessary. The finance minister could even supplement the efforts of the white paper by acknowledging the stress in the fiscal system and reiterating the government's resolve to fix the economy.

The second step that the government must take is not to turn away from such data that indicate an economic downturn. Some months ago, a government survey showed that employment growth in the economy had seen a huge decline. The immediate reaction of the government was to describe the report as only a draft finding of the surveyors. A few months later, the government accepted the same report as final. That was a welcome step, just as the earlier attempt at denying the report was problematic.

A few days ago, the government decided to junk its own survey on consumer spending, which showed a decline, because of data quality issues. Such steps undermine the confidence of people and industry in the state of the economy. If there are data quality issues, the survey need not be junked, but supplementary efforts can be made to plug the data gaps if any.

An economic slowdown cannot be addressed only by increasing investments and introducing policy reforms. Equally important is the role of transparent communication to the people about the nature of the economic slowdown and the challenges arising from it. The goals of transparent communication can be achieved if the government comes out with a white paper on the current state of the economy and accepts economic data as well as survey findings.

At the start of the first term of the Narendra Modi government, Arun Jaitley, finance minister at that time, had dropped the idea of bringing out a status paper on the economy's problems for fear that it would undermine the investor's confidence in the Indian economy. That was a wrong move. Investors always like clarity and transparency about the state of an economy. Today, they will welcome any move that results in Finance Minister Nirmala Sitharaman producing a white paper on the Indian economy.

India's civil-military friction

BOOK REVIEW

AJAI SHUKLA

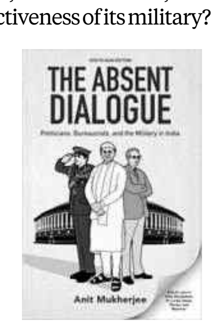
Relations between India's military and its civilian elite — the political class and the bureaucracy — have always been tinged with suspicion, well before army chief General V K Singh took the government to court in 2012 over his date of birth (and, therefore, retirement). The day General Singh filed his case, the government was rattled by reports that an army battalion was moving from Hisar towards Delhi and a parachute battalion was moving on the capital from Agra. Fearing a coup attempt, intelligence agencies sounded a false terror attack warning to slow traffic towards Delhi; and the government summoned top generals to ask what was going on. Nothing came of it, or of the chief's petition, but the media firestorm around this underlined the delicacy of civil-military relations in India.

Anit Mukherjee's excellent new book reveals that this was hardly the first such incident. When Jawaharlal Nehru died in 1964, New Delhi received reports that army units were moving in from Western Command in Punjab. This was worrying, given the predictions of western political analysts that Indian democracy would die with Nehru, and the military would take over. It is unclear whether the army's move was unauthorised or a precaution to control the massive crowds expected at Nehru's funeral. At any rate, it led to the Western Army Commander, Lieutenant General Sam Manekshaw, being transferred to the Eastern Command.

Next, when Lal Bahadur Shastri died in 1966, acting prime minister, Gulzari Lal Nanda allegedly called for Border Security Force (BSF) units to move to Delhi. Indira Gandhi feared this was an attempted coup by Nanda, but the latter clarified later that he called in the BSF to guard against any army coup attempt. Soon after that, the army chief of the day, General J N Chaudhuri, recounted to the British High Commissioner in India that he had had to reassure Defence Minister Y B Chavan that a coup was inconceivable. Chaudhuri also told the High Commissioner that if the President of India ordered the army to take over, even against the wishes of the government, the military would have the political cover to comply.

Such conversations might seem inconceivable today, but the 2012 incident was just seven years ago. That makes Mr Mukherjee's study relevant and timely. In *The Absent Dialogue*, he argues that successive prime ministers have guarded against a politicised military by incrementally relegating it to the political side lines where it enjoys nominal autonomy in the conduct of operations. But this political defanging has been so complete, that the army, navy and air force have lost much of their functional effectiveness. The book's first three sentences sum up its central question: "How does a developing country create an effective military that is not a threat to its democracy? Can a state exercise civilian control and, at the same time, maximise the effectiveness of its military? Or is this a zero-sum game where one comes at the cost of the other?"

Mr Mukherjee is well equipped to answer these questions. He has served nine years as an officer in an Indian Army combat unit, including counter-insurgency stints in Kashmir and Nagaland. He has done his Ph.D. from Johns Hopkins University, USA, and teaches at the Rajaratnam School of International Studies, Singapore. His doctoral dissertation was on civil-military relations and he has refined that over the last decade into what will be one of the definitive reference works on this subject.



THE ABSENT DIALOGUE: Politicians, Bureaucrats and the Military in India
Author: Anit Mukherjee
Publisher: Oxford University Press
Price: ₹1,100
Pages: 313

He tackles his subject with painstaking analytical rigour. He characterises the civil-military arena as a three-pronged dynamic involving civilians who lack expertise on defence issues; a military firmly yoked under strong bureaucratic control; but which enjoys functional autonomy in the tactical and operational realms. Students of Indian security would instantly recognise this as our civil-military paradigm. In assessing military effectiveness, Mr Mukherjee explores five functional dimensions in separate chapters: Weapons and equipment procurement; tri-services functioning or "jointness"; military education; officers' promotion policies and defence planning. Each dimension demonstrates how flawed civil-military relations have damaged that particular aspect of functional efficiency.

A particular strength of the book is its historical grounding. Mr Mukherjee recounts Lord Louis Mountbatten's multiple attempts to induce Nehru and his prime ministerial successors to put in place an empowering structure for higher military command, including appointing a "permanent chairman of the chiefs of staff committee" — which India is still debating. Interestingly, the author recounts that Mountbatten regarded the navy and air force as a dozen years behind the army in producing experienced senior officers, since those two services had been "Indianised" later. Precisely 12 years later, in 1960, Mountbatten wrote to Nehru suggesting he appoint General KS Thimayya tri-service commander, but the influential defence minister, Krishna Menon, who detested the popular Thimayya, stood in the way. As late as 1977, 30 years after independence, Mountbatten proposed (in vain) to speak to incoming Prime Minister Morarji Desai about appointing a tri-service commander. Ironically, it is Prime Minister Narendra Modi who has taken up Mountbatten's suggestion, with his Independence Day announcement of a tri-services commander. It remains to be seen when that will be acted upon.