Greed, not fear, will remove Delhi smog

The reliance on perception of fear of the law will not solve this problem

WITHOUT CONTEMPT

SOMASEKHAR SUNDARESAN

Yet another winter is upon us and yet again, Delhi is reeling under pollution and fog. Schools have had to be closed as an emergency measure. The state government has resumed its emergency road rationing measure.

A politician in the party ruling at the centre has exhorted the cadre to defy the road rationing law, leading by example. Meanwhile, a judiciary-initiated fiscal charge into the capital region has taken firm root, while crop stubble in the neighbouring agrarian states continue to be burnt at will. Of course, through Diwali, firecrackers were used at will in Delhi. Acquisition of new vehicles too has continued at will — checked only by the economic slowdown (which too is a highly-contested and surcharged topic).

The challenge for policy-makers is essentially one of creating by law, a set of legitimate incentives for farmers not to burn their crop stubble after the harvest. Or for that matter a set of legitimate disincentives against such burning. However, most policy-making in India is based on rendering an undesirable action illegal, and in fact, criminalising undesirable conduct. The Indian faith in legislating the attainment of virtue is immense. Even greater is the propensity to criminalise undesirable conduct. In a nutshell, Indian policy-making has an excessive dependency on leveraging fear (or perceived fear) with the stipulation of punishment as a primary tool, as opposed to leveraging greed, with an incentive and disincentive structure nudging desirable behavioural outcomes.

It is time to think up a policy of incentivising farmers in the states around Delhi. Let's say a farmer is given an incentive for not burning his crop stubble and instead handing over the task of incinerating the crop stubble to a state-run-or-funded community initiative. The incentive can take the form of, say, fertilisers, or even direct cash transfers. Wider community-run costs could be inflicted to nudge the choice towards the desirable option of not burning the crop stubble.

That there is only one-upmanship and petty finger-pointing is a pointer to there being no disincentive in the form of a political cost to the politicians voted into power by those societies. So long as no political cost has to be paid, politicians will merrily exhort violation of vehicular restrictions, and indulge in denial of crop burning being the cause, and have internet troll armies dish out memes that point to a particular chief minister alone being the cause of the failure.

All in all, the abject failure in designing an incentive system will keep the problem alive. Meanwhile, all it would take is a publicity-seeking "public interest litigant" to convince an excited bench to issue directions and judge-made law without either diagnosing the problem or testing the efficacy of the solution. Until the next harvest, the next Diwali and the next fresh short-lived outrage over the appalling smog over the Republic's capital.

Delhi and the states around it would do well to study the incentives-based approach to conserving and protecting the endangered snow leopard in the Indian Himalayas. Snow leopards were considered the enemies of the villagers in these states — they would kill cattle, which would cause immense financial losses to the villagers, who would in turn, either hunt or poison the snow leopards, which were fast en route to extinction. A well-thought through programme has been successful. Here's how.

Villagers who felt under attack from the snow leopards had been inclined to kill the snow leopards by poisoning or by hunting them. The villagers were assisted with setting up home-stay facilities for tourists. Solar-powered light sticks were tried in villages to protect domestic cattle from the snow leopards. Experiments showed that the light sticks worked, keeping attacks at bay. In some villagers, a simple wire mesh fencing did the trick. Villagers who actually lost cattle to snow leopards got compensated through insurance, which replaced a compensation policy of the government that required villagers to travel long distances carrying evidence of the loss. Earnings from home-stay tourists were reinvested in solar water heaters to enable hot showers, which in turn, brought in more tourism income. Introducing awareness in school education has led to attitudinal changes at home with the kids influencing the households.

Snow leopard killings have gone down. Their sightings have increased. Now, villagers call the conservators to rescue even accidentally trapped snow leopards instead of effecting revenge killings.

The smog in Delhi is not insurmountable. What it requires is some imaginative thinking, applying local intelligence to creating solutions based on perception of benefits. The reliance on perception of fear of the law will not solve this problem.

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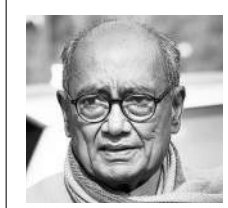
CHINESE WHISPERS

One post, many names

The Congress party in Madhya Pradesh has secured its position in the state Assembly but the state unit is still struggling to tackle factionalism. As it became apparent that an announcement on the new Pradesh Congress Committee chief is imminent, minister for animal husbandry Lakhan Singh Yadav started batting for Jyotiraditya Scindia to be declared the state Congress president. "The Congress enjoys power but organisational structure remains weak. Jyotiraditya is young; if he became the state unit chief, the organisation would gain in strength," he said. Pitted against Scindia is former chief minister Digvijaya Singh (*pictured*), general secretary of the All India Congress Committee. Earlier, the tribal face of Madhya Pradesh Congress and forest minister Umang Singhar had targeted Singh saying, "Even at 72, he wants to become the state party president!"



Togadia is back

Ever since he had to quit the Vishva Hindu Parishad, the outfit's former chief Praveen Togadia has struggled to be in the news. However, with the Supreme Court about to announce its verdict in the Ram Janmabhoomi-Babri Masjid dispute by mid-November, Togadia has become active once again. On Wednesday, he issued a press statement on behalf of the Antarrashtriya Hindu Parishad and Rashtriya Bajrang Dal. In an appeal similar to the one that the Rashtriya Swayamsevak Sangh affiliates had issued, Togadia asked their members to maintain peace and harmony after the verdict is announced. He said if the verdict is in favour of a Ram temple, people should not indulge in sloganeering but light lamps, distribute *prasad* and visit a nearby temple. "Do not make any arrogant, hurtful, inflammatory posts, comments on social media or give interviews that are derogatory," he said.

TMC shifts gears

West Bengal Chief Minister Mamata Banerjee-led Trinamool Congress has altered its political discourse in many ways after election strategist Prashant Kishor was roped in to advise the party. The party took a nuanced position on the scrapping of the provisions of Article 370; now it is mulling whether it should start reaching out to Dalits in Bengal. The state does not have a history of caste-based political parties, but the TMC is concerned at rival Bharatiya Janata Party's efforts at consolidating the Dalits. The party is hoping to counter this by showcasing its Dalit leaders as the state prepares for Assembly polls in April 2021. The TMC is also speaking more often on issues of language. On Wednesday, Banerjee tweeted her concern that the joint entrance exams were now being conducted not just in English and Hindi, but also in Gujarati. She said while she loved the Gujarati language, she had no idea why other regional languages were being ignored.

The Indian banking journey: Logic & cure

In part 1 of a series, the author traces the compulsions behind bank nationalisation and the effects of liberalisation on the banking sector

JANMEJAYA SINHA

ILLUSTRATION: BINAY SINHA

I believe there are three discernible phases in Indian banking post nationalisation till 2018. The 1969-91 post-nationalisation phase; 1992-2012 post-liberalisation phase; and 2013-18 failed clean-up phase.

1969-91: The political brilliance of bank nationalisation for consolidating Indira Gandhi's socialist credentials is well understood. What is not commented on as well was its strong economic requirement. By 1969 the lustre of the freedom movement had worn off. Indian political leaders were faced with the demands of full adult franchise with a poor, third world, resource-starved economy. India was considered a global basket case with endemic hunger and poverty. External borrowings were scarce; poor tax policy with extremely high tax rates on a small base led to widespread evasion and poor collections. India had no money to deal with the democratic demands of its people.

At this time the Indian depositor saved both Indian democracy and the Indian economy. Bank nationalisation allowed the government to access the Indian depositor. A rapid thrust to increase reach led to the spurt in opening rural and semi-urban branches (R&SU) and government ownership took out any risk in depositing money with nationalised banks. Between 1969 and 1975, bank branches more than doubled from 8,000 branches (of which 4,780 were in R&SU areas) to 18,730 (of which 12,405 were in R&SU areas). By 1990, India had almost 60,000 branches (of which 46,115 were in R&SU areas), raising ₹314,823 crore of bank deposits. The deposits so collected were available to the government through approved securities banks had to buy to meet the statutory liquidity ratio (SLR) requirements. At its peak, SLR and cash reserve ratio (CRR) together touched 50 per cent of bank deposits. Credit was disbursed to lobby groups by mandating that 40 per cent of all advances went to important priority sectors and the remaining credit to industry was allocated on the basis of Tandon & Chore Committee norms by a credit authorisation scheme.

Foreign banks were marginal but operated in profitable niches — foreign exchange, overseas syndication, structured products, transaction banking, and simple mass affluent banking. They did not really use their balance sheet but the American banks — Citi and Bank America — made very high returns and offered bright Indians a great career. The Imperial Bank had previously been nationalised into the State Bank of India and subsequently so were its associate banks. By 1980 there were 28 banks in the public sector with over a million employees of relatively high calibre to do the government's bidding. Capital projects were funded by development finance institutions (DFI) — IDBI, IFCI, and ICICI — which had access to concessional funds and on lent them for permitted capital projects.

What was not explicitly mentioned was that bank deposits, routed as loans to industry, also funded political parties. Due to shallow capital markets Indian industry also lacked capital and was dependent on bank credit. Indian entrepreneurs were of two kinds — capital starved "actual industrialists" who managed by intelligent accounting to avoid putting own equity but built excellent plants and grew businesses; but also the "robbers" who essentially diverted depositor money to create private wealth and rotten industries (they had the highest market share in bank NPAs). The latter have gotten the greatest attention in movies, media and were the regular whipping boys at election time tarnishing all Indian capitalists.

The government used the public sector banking system as a milch cow and would pillage it for as long as it could before it collapsed in a regular boom and bust cycle of failing every 8 to 12 years — 1977, 1985, 1992 (and to be discussed later 1999 and 2012). When it failed, the government would nurse it back to adequate fitness so that it could continue thereafter to support unfunded government mandates. By 1991 the largely controlled socialist Indian economic model together with its intellectual justification had collapsed. India approached the IMF in 1992 for a bailout and smart domestic reformers managed the accompanying structural adjustment programme sensibly, liberating the economy of draconian controls and changing India's growth trajectory thereafter.

1992-2012 post-liberalisation phase: The banking reforms initiated with liberalisation had five major legs: 1. New private sector banks were given licences with the hope they would increase competition and inject efficiency into the sector; 2. Public Sector banks were encouraged to list to raise capital and face market pressure on performance; 3. India agreed to comply with Basel Committee risk norms putting a focus on NPAs; 4. Public sector banks were encouraged to use core banking technology solutions that brought transparency to their portfolios and were also encouraged to seek external help to restructure their operations; 5. Sadly, by 2000 DFIs were killed by starving them of concessional financing and forcing them to convert into universal banks.

Yet liberalisation post 1992 brought with it reduced tariffs and increased competition created a major strain in the health of the protected Indian industry. By 2000 the consequential NPAs led the financial system again to crisis. Intelligent coordinated action by the Reserve Bank of India and the government allowed the banks to get back to health in three years. RBI cut interest rate by 1 per cent a year for three years, forced banks to use the accompanying treasury profits for provisioning, announced a non-discretionary hair-cut regime for bankers and industrialists (taking out individual risk for bank managers) and spurred robust credit growth (including retail credit) bringing net NPAs down below 2 per cent of the bigger bank balance sheets and restored bank profitability.

By 2007, a healthy banking system again tempted the government to use PSB balance sheets in the eleventh five year plan (2007-12) to fund infrastructure. I shall trace the origins of the current crisis in Indian banking and the commencement of the third banking phase — the 2013-18 failed clean-up phase — together with a reform agenda for Indian banking in my next piece.

(Tomorrow: Rescuing the financial sector)

The author is chairman, BCG India
Views are personal

INSIGHT

India's challenge is competitiveness

Until India becomes a real market economy, it is unlikely to have the confidence to integrate with, and compete in, the global market economy

DHIRAJ NAYYAR

India's decision to stay out of the Regional Comprehensive Economic Partnership (RCEP) will not isolate India from the global or regional economy. The fact is that India is already quite isolated — its share of global merchandise exports is minuscule, at around 1.8 per cent (China's is around 13 per cent) and for all the talk about competitiveness in services its global share is just 3.5 per cent, lower than China's 4 per cent. It is the Indian economy's lack of competitiveness which is the isolating factor.

RCEP was not going to solve that problem. If trade liberalisation alone was sufficient to improve or enforce competitiveness, India should have emerged as an export powerhouse in the aftermath of the WTO agreement in the 1990s or at least after the FTAs signed with ASEAN, Japan, and Korea (which consist of 12 of the 15 non-India RCEP countries) in the 2000s. Evidence suggests that the outcome of those FTAs over a decade has been a faster rise in merchandise imports than merchandise exports. India's trade deficit with China, sans any free trade agreement, has risen from around $1 billion at the turn of the millennium to over $60 billion in less than two decades.

It is well known, but often under-acknowledged, that India's half-hearted attempts at liberalisation since 1991 led to a considerable deregulation of product markets (with the exception of agriculture) without any (or enough) accompanying reform in the three crucial factor markets: land, labour and capital. Today, all three are bottlenecks in even domestic consumption-driven growth, never mind exports. Unreformed factor markets are also responsible for the perception of "jobless growth". In truth, jobs are being created but largely in the informal sector because of the complexity in rules and regulations.

A low-growth scenario coupled with a lack of good quality jobs is hardly conducive for signing on to a free trade agreement, not least with the most competitive economy in the world — China. That agriculture was not even subject to limited market reform means that it is totally unprepared to compete internationally. No government could

possibly risk exposing 40 per cent of the total workforce (under-) employed in agriculture to global market forces. In sum, the sins of the past, in terms of reform left incomplete, continue to haunt the economy.

But it is not just the old problems. The consequences of the political economy of the last seven years — a backlash against the perception and, indeed, the reality of cronyism, corruption and an "unfair" system — have added new dimensions to the competitiveness challenge. Acquiring land for industry is not only lengthy but also expensive with buyers legally bound to pay a big multiple of the market price. In other competitor countries, particularly China, land is given free. Similarly, critical natural resources required for sectors as diverse as power and telecom can now only be acquired through an auction mechanism designed to maximise revenue for the government. In other countries, these are allocated on a first come, first served basis. The cost structures of industries dependent on natural resources have gone up, irrevocably.

Commercial lending decisions are now taken under the over-eager eyes of the four Cs — CAG, CVC, CBI, Courts — with the result that many businesses are finding it difficult to finance themselves. Small businesses may be forced to pay more to access finance form non-banking sources. This is not an argument against transparency and rooting out corruption and cronyism but, at some point, policy-makers need to assess whether some policy measures are raising the Cost of Doing Business to an unreasonably high level even as the government strives to improve the Ease of Doing Business. China and other East Asian countries in RCEP offer cheap land, cheap power, cheap labour, low taxes and cheap finance to businesses. India has bitten the bullet on taxes, but businesses pay a premium on the rest.

The pity about RCEP is not that India did not sign it. Instead, it is about the missed opportunity on carrying out some difficult reforms domestically. The negotiations on RCEP lasted more than seven years. Perhaps, if the government had invested as much time in negotiating within its line ministries on implementing the necessary reforms to make India's economy fundamentally competitive, the outcome in 2019 would have been different. Prime Minister Modi is a believer in excellence and no half-measures. He must insist that all ministries adopt a proactive approach to reform. The decision to opt out of RCEP has bought India time to get its house in order but, in the long term, prosperity will not come behind closed doors.

Until India becomes a real market economy, it is unlikely to have the confidence to integrate with, and compete in, the global market economy.

The author is chief economist, Vedanta

LETTERS

Scams unlimited

Another major scam of over ₹7,200 crore involving many nationalised banks has been unearthed. As many as 169 raids at various places are in progress, which amounts to shutting the door after the horse has fled the stable. How can the ordinary account holder have any sort of confidence in our banks? Most of the scamsters are absconding. In the Punjab & Maharashtra Co-operative Bank loot mela seven people have died. Who is responsible and accountable? Is the government happy by infusing funds into these banks? No wonder our economy is in the doldrums. Scamsters make hay as the government snoozes! The ordinary man has to keep his fingers crossed hoping his savings are safe.

Shanmugam Pune

Blame game

Your excellent editorial ("Action plan for Delhi", November 6) very logically puts the currently contentious issue in the right perspective. Indeed, the huge nuisance created by Diwali crackers happens only for a couple of days every year and the stubble burning, a major irritant, also gets highlighted for a month or so around the same time but all of us — governments and the society — make these two virtually the only culprits, the two big demons playing havoc with the lives of people in NCR! This is clearly — as your editorial argues — a wrong and an unbalanced approach. We tend to somehow ignore the bigger causes of our misery that haunt us throughout the year. Totally irrational, to say the least.

We must stop politicising the issue and playing the blame game and consequently taking ad hoc measures and instead concentrate on the real issues with a "comprehensive action plan" with the central pollution control board coming out with "an official report on ambient air quality, specific sources of pollution and their share of contribution as well as allocation of tasks for corrective action". Such a central government backed report should then form the basis of action plan by various authorities and at different levels.

Stubble burning is indeed a cause but not the sole one. Notwithstanding the bigger blunder of paddy farming in Punjab and Haryana — with its consequential disastrous effects on water stress — and the ugly politics at the root of this ill-advised cropping pattern — let's admit that several other sources of pollution, within the NCR are probably much bigger contributors to the havoc being played with the lives of people, especially children and elderly — a sound action plan, with strong implementation, should be able to set right the horrid situation.

Krishan Kalra Gurugram

Consider this

I am surprised that no one has put forward the idea of converting rice stubbles into heat-compacted wooden boards that can be used as walls by the poor in constructing their own houses. It is a widely used technology in the West. You can improve the urban physical environment and also improve shelter for the poor. I am sure many would like to finance such a project of conversion for the sake of common good. I wonder if anyone has considered the idea. I also saw a similar proposal from the US to study the possibility in Bhatinda.

Salem Sethuraman
Maryland

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HAMBONE

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The lure of dollar bonds

Surge in foreign borrowing poses risks

Stress in the financial system and elevated levels of non-performing assets in the banking sector appear to be pushing Indian companies to borrow from overseas. The data compiled by the *Business Standard Research Bureau* shows that Indian companies raised $13.74 billion through dollar bonds in the first 10 months of 2019, compared with $1.65 billion in the same period last year. This is in line with the data published by the Reserve Bank of India (RBI). The latest Monetary Policy Report, for instance, showed that the flow of funds to the commercial sector practically collapsed between April and mid-September to ₹90,995 crore against ₹7.36 trillion in the same period last year. Since the flow from the banking system reversed, Indian businesses turned to foreign sources for funding. Borrowing from external sources during this period was worth ₹54,073 crore, compared with (-) ₹653 crore in the same period last year. The commercial sector was also helped by a pickup in foreign direct investment in this period.

Apart from the banking system's reluctance to lend due to weak balance sheets, companies tend to borrow abroad to take advantage of lower rates. It's not difficult for better-rated companies to raise funds in international markets at a time when investors in advanced economies are desperately looking for yields. However, higher dependence on foreign currency borrowing can increase risks to financial stability. India's stock of external commercial debt is in excess of $200 billion. Further, short-term debt (residual maturity) is worth 56 per cent of foreign exchange reserves. A higher level of short-term debt can lead to significant volatility in domestic markets if financial conditions tighten in global markets. A sudden spike in oil prices, along with repayment obligations, can significantly increase volatility in the currency market as happened in 2018. A sharp depreciation in the rupee increases the debt burden of companies that borrow in foreign currency without having revenue in foreign exchange. Higher borrowing aboard also puts upward pressure on the rupee. Indian exports have been virtually stagnant over the last few years and the overvaluation of the rupee is cited as one of the big reasons. Since India runs a current account deficit and will need to import capital to fill the savings-investment gap, it would do well to not encourage the flow of short-term debt in foreign currency. Also, the central banks should actively intervene to keep the rupee competitive.

Moreover, it is important to strengthen the Indian financial system, so that savings can be efficiently channelised into productive sectors of the economy. Although the government is consolidating and recapitalising public-sector banks, it needs to do more to bring them back on track. The government and the RBI also need to allay fears emanating from non-banking financial companies. Friction in the financial system is impeding the transmission of monetary policy and is not allowing Indian businesses to benefit from lower rates. As economist Neelkanth Mishra highlighted in this newspaper, the gap between the average lending rate of banks and the policy repo rate is the highest on record. India needs a more robust financial system to fund the productive sectors of the economy. This will also help reduce dependence on foreign borrowing and strengthen financial stability.

The Tamil Nadu way

Other states should also enable contract farming

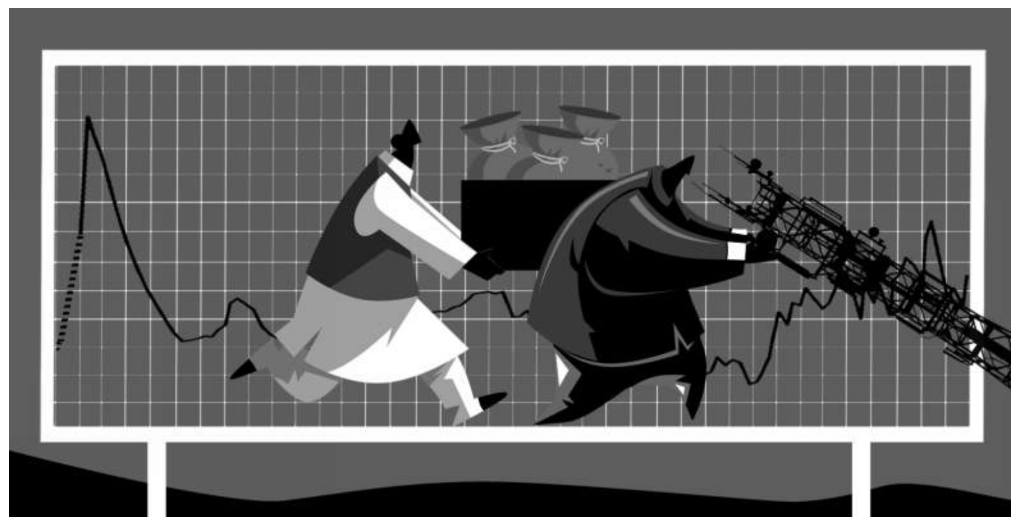
By enacting the contract farming law on the lines suggested by the Centre in the model Bill on this subject, circulated last year, Tamil Nadu has become the first state to show urgency in undertaking this critical reform. The Agricultural Produce and Livestock Contract Farming Bill, 2019, passed by the Tamil Nadu legislature earlier this year, became a law last week after getting the President's approval. It is expected to facilitate linking farmers with the agro-processing industry and other stakeholders, such as traders and exporters, for mutual benefit. While the farmers would gain from guaranteed marketing at the pre-agreed prices, the buyers would be assured of adequate availability of the needed products of desired quality.

Unlike in many other countries where corporate houses can access large chunks of land for in-house production of agricultural raw material — also called corporate farming — the circumstances in land-stressed India do not permit this. The best option for industry and trade is to enter into contracts with farmers — or contract farming — to get them to produce the stuff needed. In fact, various kinds of contract farming arrangements, based mostly on oral or informal agreements, are already operating in the production of crops such as sugarcane, cotton, tobacco, coffee, and rubber, and dairy products. But in the absence of any legal sanctity, these contracts mostly undermine the interests of the growers. The buyers often renege on their commitments at the harvest time if the prevailing prices do not suit them. The new law seeks to address this issue by laying special emphasis on protecting the farmers' interests, considering them as the weaker of the two parties.

Among the pending farm-sector reforms needed to enhance farmers' income, legalisation of contract farming is the least controversial and, therefore, easiest to carry out. In fact, most of the states that have amended their Agricultural Produce Marketing Committees (APMC) Acts, even if not strictly according to the Centre's model APMC Act, 2003, have incorporated provisions for contract farming. But this move has not served the desired purpose because of the involvement of the APMCs in its implementation. The model contract farming statute, therefore, proposes to take contract farming out of the ambit of the APMCs.

Several other well-advised features of the model contract farming Act also merit attention from the state governments. For one, this legislation is designed to act more as a facilitator and promoter of contract farming rather than its regulator. For this, it envisages setting up contract farming facilitation groups and service providers at the panchayat level. Besides, it seeks to encourage the formation of farmers' producer organisations , which have already won the confidence of cultivators and are growing in number. Moreover, to allay fears among farmers about losing the ownership of land to the sponsoring industry, this legislation explicitly bars constructing any permanent structure on the land or premises under such contracts. And most importantly, this law seeks to bring all services in the agricultural and its allied fields' value chain, including pre-production, production, and post-production services, under the umbrella of contract farming. Considering these merits of the model contract farming Bill, there seems little reason why more states should not emulate Tamil Nadu's example of passing such a law to boost agricultural incomes.

ILLUSTRATION: BINAY SINHA



The telecom crisis is an NPA problem

After interim relief for telecom, structural reforms must follow

The Committee of Secretaries to mitigate financial stress in telecom must act quickly on interim measures for the sector to survive. But is its mere survival sufficient for India's development and growth? Is it possible to fix telecom in isolation?

Our communications needs are very poorly served, although at rock-bottom prices. Is it even possible for our hapless citizens and enterprises to get past shoddy services and productivity foregone, to trade with other countries on a more even footing? Yes, if we succeed at major structural changes, starting with telecom. But to transform telecom, the government and all of us have to come to the stark realisation that just as finance drives the economy, digitisation and communications have to be at the heart of production and delivery. Telecom and digitisation are strategic enablers for all infrastructure and in all sectors. Leading countries are so far ahead and functioning so effectively that it is difficult for us to imagine. We must want that path, plan for it, and put in the requisite effort. Simply tweaking overdue payments, tinkering to reduce charges, and plugging along as before isn't going to get us there. In this sense, the Committee's charter is too limited. All it can do is assuage the pain, whereas our need is for a revitalised industry to serve our purposes.

SHYAM PONAPPA

If the Committee's scope were broader, could we actually adopt digitisation as our core strategy for development and growth? A study on China, "Telecommunications reforms in China", about the transformation in policies to make digitisation its development priority, is instructive.[1] Their approach to reforms was to balance the government's aims of universal coverage, governance and control, and efficiency; industry's profit-seeking; and the people and enterprises' needs for freer, more rapid communications. This is what we need to do, in a way that works for us.

Also, the government, the judiciary, the press and users need to understand and accept that the telecom crisis is part of the larger non-performing assets (NPAs) problem. It has systemic links to NPAs and banking, which links to real estate and construction, electricity and roads, and stable and predictable taxes. Government payment delays and tax terrorism must stop. Business as usual will not resolve NPAs soon to enable growth. These two articles explain why and deserve attention.[2] Essentially, entities that take deposits need Reserve Bank of India (RBI) regulation. In a crisis, people with domain expertise and capacity must be appointed to take immediate steps to protect assets and operations, as with Satyam or IL&FS, because seizing/freezing assets often hurts depositors and creditors. A bureaucratic process as with the Punjab & Maharashtra Co-operative bank is likely to result in yet another zombie bank, burning depositors' money just to stay alive.

The Committee's focus should be on cash flows, modelling cash flows and their timing, not just the present value of discounted flows, or other extraneous emotional, political, or judicial/administrative reasons. Employment is a legitimate consideration, but has to be sustainable, with timely cash generation. Else, other sources of timely cash support must be arranged, because without sustained cash flows, no gambit or subsidy can succeed (and maintaining unproductive employment will not be possible). Some fixes need major legislative changes to policies.

BSNL & MTNL

On BSNL and MTNL, a recent article sets the context and explains why the revival plan is unrealistic.[3] In short, these poorly supported and much-abused enterprises have so much debt that earnings before interest, taxation, depreciation and amortisation would have to be at least 35 per cent. Governments have used them as market spoilers as with Air India, precipitating unsustainable price wars that gutted the industry.

An alternative is to downsize, re-skill as needed, and retain the public sector entities (as one or both) in the role of security-and-public-interest-anchors in infrastructure consortiums. These must be run by the private sector (and in strategic areas, by defence). This will facilitate policies such as assigning spectrum for payment on usage without auctions, and extending Wi-Fi to 60 GHz and 6 GHz (details at: *https://organizing-india. blogspot. com/2019/10/extend-tax-cut-logic-to-infrastructure. html, and https://organizing-india .blogspot .com/2018/11/a-great-start-on-wi-fi-refor ms.html).*

Weak financial systems

The Committee needs to apprehend and convey the need to strengthen financial institutions. Financial systems provide second-order infrastructure for productive activity and wellbeing. They need an adequate underlay of first-order, basic infrastructure, comprising communications, energy, water, waste, sewerage, and transport, leaving aside housing and the basics of security, and law and order. While most of us take these for granted, there should be no doubt about how critical these attributes are, and that they are being eroded and increasingly at risk because of social disorder and economic inadequacies. In addition, basic health care and education are essential adjuncts for the supply of trainable people to operate these sectors.

Until some years ago, despite weak infrastructure, financial systems were among India's real strengths, although eroded periodically by disruptions resulting in NPAs. However, there was strength in the professional capacity of this sector that held up in spite of the pressures. Over time, these institutions have been severely degraded, through laxity, complicity, pressures for evergreening, the abrupt imposition of credit quality and NPAs, the extent of frauds because of lax or complicit supervision and the reputational damage, the buffeting from demonetisation and pressures to cross-sell products such as insurance. Governments need to understand this and support building professionalism, avoiding *melas* and waivers.

The scope of the Committee could be expanded to set the objectives of telecom and digitisation in the interests of governance, industry, and users, and to outline next steps. They could consider the experience of China and others such as Sweden for this vast effort, while addressing linkages and NPA issues. Perhaps, they could be exemplars by setting the tone for a national approach that is not departmental and becomes bipartisan, and helps to move away from our abrasive, confrontational politics that leads to deadlocks.

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RCEP exit: A bargaining position or a disaster?

Prime Minister Narendra Modi's decision on Monday not to join the Regional Comprehensive Economic Partnership (RCEP) took me by complete surprise. I had loudly supported his earlier position, urging his government to join the RCEP, and make it a win-win situation for India and Asia. He took this position against stiff opposition from big industries, his ministers, the Swadeshi Jagaran Manch, and his bureaucrats. What changed his mind suddenly? There must be a reason to this change in stance?

In my view, the prime minister's switch is a bargaining move. The thinking in the government appears to be that India is needed to make the RCEP a real Asian trade agreement. The prime minister, therefore, is counting on China and other member countries giving India some time to make its industries competitive, or exclude some of its long list of sensitive industrial and agriculture products. His negotiators are playing the same bargaining game as we did in the Uruguay Round for Trade-Related Aspects of Intellectual Property Rights (TRIPS).

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If this is so, we are again going to lose out, and finally yield in. Then, the prime minister can tell the industry and the groups against the RCEP that he tried his best and failed. The door to joining the RCEP as a founding member is still open till the proposed signing date in February 2020. So there is time.

But the present situation is different from the Uruguay Round negotiations. Unlike agreements with the World Trade Organization , mega-regional deals, such as the RCEP, are not bound by the rule of consensus. So there will be less pressure on the part of China and other member countries to continue negotiating with India. It is likely they will move on without India, except some countries politely expressing their concern, as Japan just did. Southeast Asian countries are already badly affected by the US-China trade war initiated by President Donald Trump, who changes his position on a daily basis. These countries want an Asian deal to be concluded as quickly as possible. India is a small player for them. They will not wait for India. Hence, like in the Uruguay Round in TRIPS, and Trade Facilitation Agreement of the World Trade Organization, we will ultimately cave in with our heads hanging down.

The other alternative is to really opt out of the RCEP. That will be a big disaster for India. It will put to rest our Act East Policy, and delink us with the most successful countries in the Southeast, Far East, and the Pacific. We will also be delinked with the Asian regional global value chains. Our exports will slump, unemployment will rise, and gross domestic product growth will decline further. Inclusive growth will become more elusive.

We are, then, out to protect our over 70-year-old "infant industries", which are afraid to face international competition and want to continue to make profits from the largest protected domestic market in the world. Imagine the trade diversion loss for India from this line of thinking, as the world moves in the direction of forging more regional agreements, including mega-regional trade deals, with India staying out of them. Genuine consumers and innovative entrepreneurs will then not be allowed access to lower-priced inputs and material that would have enabled them to flourish, and helped India inch higher up the value-chain. Imagine a country where you protect plastics, pricing it higher so those who can make advanced plastic products are shut out of competition. Where you protect advanced metallurgy products so your dyeing and machining industries that make industrial parts and components never take off.

The prime minister has decided to opt out of the RCEP to protect our people, so he asserts. But is he really doing that? Or just helping big industry that wants to remain an infant forever? Why is he ignoring consumers and innovators? Why is he supporting moving back to the old Hindu rate of growth of 3 per cent that we with herculean efforts overcame with bold reforms in 1991 under then Prime Minister P V Narasimha Rao, and carried through and strengthened by Atal Bihari Vajpayee?

Hope the prime minister changes his mind. We don't want our big industry slogan to be: "Long live Protectionism. A long, long life to it !"

The writer is a former economic advisor in the Union

Manmade crisis in God's Own Country

BOOK REVIEW

UTTARAN DAS GUPTA

Shekhar L Kuriakose, member secretary of the Kerala Disaster Management Authority, is an expert on landslides in the Western Ghats. He has studied the works of several ancient and modern travellers who have explored the region, and claims that there is not a single mention of landslides. "The landslides... began in the 1960s," he tells the author of the book under review. "It has more to do with human interference." Viju B informs us that 13 of the 14 districts of Kerala are prone to landslides, which along with recent and regular flooding, has made God's Own Country a site of manmade natural disasters.

In August last year and this year, the southern state of Kerala had been devastated by floods caused by excessive rainfall, overflowing rivers, and landslides. In 2018, 483 people died in the natural calamity, and about 150 more went missing; the total loss to property was ₹4,0000 crore. This year, fewer people (121) died in another flood; the loss to property is yet to be estimated. Mr Viju, the metro editor with *The Times of India*, Kochi, who has covered the 2005 Mumbai floods, began writing this book as response to the 2018 floods — but as subsequent events have shown, the issues it deals with will continue to be relevant for years to come.

In the Introduction, Mr Viju writes: "Our forefathers used to call these mountain ranges Sahyadri, which means benevolent mountains." He goes on to ask, "Why have these mountains turned hostile?" He provides some startling figures to answer his own question: "The illegal revenue from mines... in Goa alone... between 2006 and 2011 is estimated to be around ₹35,000 crore." In the past six decades, the forest cover in the Western Ghats has been compromised severely because of human activity, writes Mr Viju — "35 per cent of the original forest cover in Western Ghats have been destroyed."

Added to this is the apathy of the authorities, who prefer to turn a blind eye to clear signs of climate change instead of addressing the issues that can avoid a calamity. "The Kerala government's stand that the floods were once-in-a-hundred-years phenomenon, and that everything is going to be normal again, is asking for disaster to recur," writes Mr Viju. This echoes the attitude of the authorities in neighbouring state Tamil Nadu, whose capital Chennai was devastated by unprecedented floods in 2015. In her account of the calamity in *Rivers Remember*, journalist Krupa Ge records how happy the authorities were to blame it on a "once-in-a-hundred-years" rainfall rather than address structural issues that can prevent floods in the future. The playbook of inefficiency is identical everywhere.

Mr Viju's book is divided neatly into 11 chapters, with 10 of these named after some area or district in the Western Ghats, such as Idukki, Wayanad, Coorg, or Bicholim. He has travelled extensively in the region meeting a large number of people, including government officials, local workers, migrants, and people of indigenous communities who have lived in these areas for ages. He has also consulted a large number of news reports and historical texts to reconstruct the changing ecological face of the Western Ghats. One wishes that the mountain of narratives and material Mr Viju has collected was put together a little better, to make reading it less of an effort.

One of the chapters in the book is dedicated to Pathanamthitta, which was in the eye of the storm recently because of a controversial Supreme Court order allowing the entry of women in the historic Sabarimala temple. Mr Viju writes, quoting a devotee, "There is nothing wrong if devotees wish to continue these traditions (disallowing menstruating women from entering the temple)... Perhaps, in matters of faith, there is no question of rationality." Even though I am happy to defer to Mr Viju's knowledge of the area, it is difficult to agree with this view. He is also quick to note the devastating effect the popularity of Sabarimala has had on the neighbouring areas: "50 lakh (5 million) people visiting every season has put huge ecological pressure on the core wildlife corridors of the Periyar Tiger Reserve."

The writer not only enumerates the endless problems in the region but also makes a case for what can be done to improve the situation. "The first step towards conservation of the Western Ghats would be empathising with the concerns and aspirations of communities inhabiting them, and understanding their centuries-old subcultures that are rooted in the mountains." As Mr Viju argues, the exploitation of ecological resources should be protected from the unending greed for unbridled commercial interests. If the frequency of calamitous natural events is anything to go by, this is sound advice.

FLOOD AND FURY: Ecological Devastation In The Western Ghats
Viju B
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