The e-car tipping point

While China is eyeing an ambitious target for EVs by 2025, India is opting a more gradual transition

VANDANA GOMBAR

China is looking at significantly more ambitious targets for electric vehicles. It wants 25 per cent of cars sold in the country to be electric by 2025, according to a draft policy published by the Ministry of Industry and Information Technology last week. The current share is just about 5 per cent, though China is the largest electric vehicle market in the world.

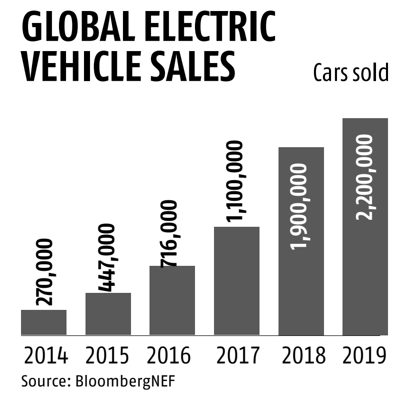
The three barriers to wider adoption of electric vehicles — price, range (on single charge) and charging infrastructure — are being gradually whittled down, as battery prices keep sliding lower. Battery prices are down to $156 per kilowatt hour, according to BloombergNEF's latest Battery Price Survey, from above $1,100 in 2010. The price is seen falling to around $100 per kilowatt hour by 2023 — the point at which electric vehicles will start to reach parity with internal combustion engine vehicles.

Meanwhile, exciting new electric models continue to be unveiled: Tesla showcased its electric pickup dubbed "cybertruck" last month. The $39,900 truck can be booked with a deposit of $100, though production is slated for 2021-22.

Some car makers such as Toyota and Hyundai are embedding solar panels in the roof and body of the vehicle, adding a few kilometers to the range of the solar car in what is being referred to as vehicle-integrated PV, or ViPV.

In India, MG Motor, the British brand also known as Morris Garages that is now owned by China's SAIC Motor, unveiled an electric sport-utility vehicle last week. The price has not yet been announced, though it was earlier indicated that it could be about ₹2.5 million. One of the features of the car is a built-in air purifier. It will be competing with Hyundai's Kona electric car model, launched earlier this year.

The tipping point price in India for an electric vehicle is likely to be below



₹10 lakh or ₹1 million, Rajeev Chaba, president of MG Motor India said in an interview to *Business Standard*. Tipping points are driven by technology and policy. Indian policymakers are, however, yet to finalise how aggressive, if at all, they want to be in this space.

There are now seven million electric vehicles on the road globally. Sales this year are seen at 2.2 million, with China accounting for over half of the market. Digital ride hailing companies like Uber and Ola are increasing the share of electric vehicles in their fleets, and there are hundreds of models of electric vehicles set to be in the market soon. Electric vehicle charging infrastructure is expanding. Seeing the shift to electric, companies are signing long-term contracts to secure battery supply — BMW has placed $11 billion worth of orders with Contemporary Amperex Technologies Co and with Samsung SDI, to secure battery supply for its electric vehicles out to 2031.

As many as 43 governments have announced plans to phase out combustion vehicle sales. India did too, only to backtrack and opt for a more gradual transition to electric mobility, with support tilting towards public transport vehicles, and charging infrastructure.

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CHINESE WHISPERS

Another weight loss plan

Parliament on Tuesday organised a lecture on "effortless weight loss and diabetes prevention" for members. An advisory to MPs said that it was in "consonance with the Fit India programme". The MPs were addressed by Dr J V Dixit, who highlighted "treatment/techniques for effortless weight loss, obesity, diabetes, anaemia and migraine," the advisory said. Some members who attended the lecture including Bharatiya Janata Party's CR Patil said they have benefitted from Dixit's "two-meals-a-day diet plan". Dixit's diet plan is quite popular in Maharashtra, and quite the rage on social media but it has also faced criticism from experts that it is not supported by scientific evidence. At an event last year, Nationalist Congress Party's Supriya Sule had said all Maharashtrian weddings had a time slot during dinner for those who followed the Dixit diet plan.

Battle for state leadership

Has former Madhya Pradesh chief minister Shivraj Singh Chouhan's sudden activism got anything to do with the Bharatiya Janata Party (BJP)'s search for a new state unit president? He recently courted arrest along with some farmer leaders protesting the urea crisis. Then he sat on *dharna* seeking justice for a rape victim. Some read that as an effort to convey to the party leadership at the centre that Madhya Pradesh needs a firebrand president. On his part, current state BJP president Rakesh Singh has been keeping a low profile. As things stand, the state unit seems divided into two groups. While one is rooting for Chouhan, the other is batting for Singh.

Impatient aspirants

With the Delhi Assembly election just months away, there's a mad scramble among local leaders of the Bharatiya Janata Party and municipal councillors in Delhi to solicit party tickets. Things came to such a pass that a senior party functionary had to step in and tick off councillors for lobbying for tickets — they were told "deserving candidates" would make the cut without much trouble. The party's *sanyojaks* (convenor) and *vistaraks* (membership drive in charges) from each constituency were also told to first resign from their organisational posts before throwing their hats into the ring. That was not enough to hold back hopefuls from flocking outside the offices of the various "power centres".

Could consumption really have fallen?

The leaked NSS consumption numbers have provoked a debate. While arguments by various sides are not really convincing there are some broad lessons

JOSH FELMAN, JUSTIN SANDEFUR, ARVIND SUBRAMANIAN & JULIAN DUGGAN

The National Sample Survey (NSS) consumption numbers that were recently leaked have provoked a storm of debate. Some argue that they reveal the truth about the economy, while others claim the numbers are seriously misleading. Where do we stand? In our view, both arguments are extreme.

Commentators on one side have claimed that the new numbers — showing that real per capita consumption declined between 2011-12 and 2017-18 — prove that the economy did not grow at 7 per cent, as the GDP numbers for the period proclaim. And the fact that the survey was taken in 2017-18, the year after demonetisation and the year of GST implementation, is invoked as evidence that these policies severely affected consumption.

On the other side are those who believe the official GDP numbers are correct, and the consumption numbers are implausible. Some argue that the NSS numbers suffer from survey-related problems, such as false reporting to the enumerators (Swaminathan Aiyar). Others point out that the NSS numbers account for only a fraction of consumption — and a rapidly declining one — in the national income accounts (Surjit Bhalla).

All of these arguments have merit. But none are fully convincing. Consider first the defenders of the official national accounts. Without doubt, survey respondents are not entirely truthful, but unless it can be shown that this problem has worsened over time, then comparisons between periods — that is, the consumption growth rate — should still be reasonably accurate. And to use the latest national income accounts as a benchmark to make assessments about the NSS numbers is problematic given that the CSO has difficulty estimating consumption, and there are known problems with the post-2011-12 national income accounts (NIA).

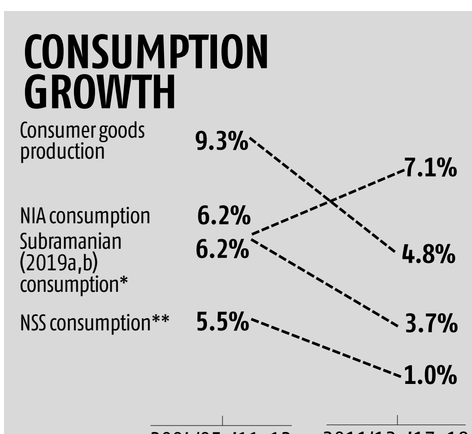
What, then, of the arguments on the other side, that the NSS numbers reveal the truth about growth? We have argued elsewhere that the official figures have been overstating GDP growth. But that does not automatically imply that the NSS numbers are reasonable. We need to consider the evidence carefully.

Start by considering the broad direction suggested by the NSS estimates, namely that consumption growth has slowed. This indeed seems likely. The figure below compares various consumption growth estimates for the latest rounds (2011/12 to 2017/18) with those of the previous rounds (2004/5 to 2001/12). Most of the estimates slow sharply, in line with the deceleration in the macro-indicators, such as the Index of Industrial Production (IIP), exports, and imports. Note, however, that the NIA estimate moves in the "wrong direction" — another piece of evidence that NIA methodologies are problematic. But does this mean the NSS figures are reasonable?

Consider the figure again, focusing on the indicators for the latest period. At the high end is the consumption from the NIA, showing real consumption growth of over 7 per cent per year. At the other extreme is the NSS number of just 1 per cent real growth per annum, once corrections are made for deflators, per capita numbers are converted into total numbers, and rural and urban data are aggregated into an economy-wide number.

In between the NIA and the NSS estimates is the growth in the IIP for consumer goods, which averaged 4.8 per cent. The IIP doesn't quite measure consumption, because it captures production, excludes consumer services, and is a volume number. But it is typically a good proxy, since consumer goods production and consumption tend to increase at similar rates.

PHOTO: DALIP KUMAR



* Growth in consumption implied by Subramanian (2019,a,b) estimates of GDP growth, assuming 75% of discrepancy with official GDP figures is due to consumption growth

** The positive rate of 1% growth in total consumption here differs from the –3.7% growth in per capita consumption reported in the press due to allowance for population growth. Note that 2004/05–11/12 growth rates are based on the URP method, while 2011/12–17/18 rates are based on the MMRP method

We can derive another consumption growth estimate, which attempts to take into account the CSO's methodological problems. To do this, we first replace the official GDP growth rate every year by 4.5 per cent, the average growth estimated by Subramanian (2019a and 2019b). We then allocate the implied reduction in GDP to private consumption and investment, assuming that other components of GDP such as exports, imports, and government consumption are well measured.

It turns out that even if we attribute 75 per cent of the reduced GDP growth to (reduced) consumption, annual consumption growth in the national accounts would still be 3.7 per cent, well above the NSS estimate. (Even if we shaved this figure further, in line with the World Bank's assumption that only about 2/3rds of the consumption growth from the national income is passed on to NSS consumption growth, the implied numbers would still be well above the latest NSS estimate.)

Furthermore, consider the timing of the NSS Survey. Far from being a bad year, 2017-18 was one of the few years when the economy did well, reflected in almost every indicator of economic activity. Growth in non-oil exports and non-oil imports surged; the IIP of consumer and capital goods rebounded sharply, as did capacity utilization in manufacturing. This was not just confined to the urban, formal sector: agricultural output and a rough measure of agricultural income show that 2017-18 was a year of recovery for rural India, as well. So it stands to reason that consumption growth would be reasonable, not feeble, as the NSS figures imply.

In sum, the NSS figure for consumption growth appears implausible when judged against other indicators. But so does the NIA figure. The reality probably lies somewhere in between: consumption was better than implied by the NSS figures, but not quite as good as that implied by the NIA.

There are some broad lessons here. To begin with, one should be careful about making strong statements about consumption based on the NSS or the NIA figures. Neither the dire conclusions on poverty developments drawn by the critics nor optimism about the earlier state of the economy promoted by the cheerleaders seems warranted.

All that said, the new data should be released. Of that there should be no doubt. There is surely much to be learned from the details revealed by the Survey, and all of us should be open to revising our priors depending on what they reveal. At a minimum, analysis of the underlying data could help us to identify the deficiencies in the surveys so that measurement can be improved going forward. And improving the measurement of the economy — to provide a more reliable basis for policy formulation — is the one thing that should be beyond debate.

Felman is former IMF resident representative to India; Sandefur and Duggan are with the Center for Global Development; Subramanian was former chief economic adviser to the government of India

(A more detailed version with data and code underlying the piece is available at: https://www.cgdev.org/blog/indias-consumption-really-falling)

INSIGHT

From shareholders to stakeholders

In part I of a series, the authors discuss evolution of the environmental consciousness of companies

UK SINHA & SAPARYA SOOD

All over the world, business corporations are being made to move beyond immediate financial performance and exhibit their commitment towards addressing environmental, social and governance issues (ESG). The environmental consciousness of companies has evolved over three stages. It has its roots in the momentum created by various international agreements and alliances. The UN Sustainable Development Goals (2006) highlighted the role of business corporations in protecting the environment. The UN Principles of Responsible Investment (UNPRI) and the adoption of the Paris Agreement under the UN Framework Convention on Climate Change (UNFCCC), have made environmental issues a pivotal concern for corporations. This was followed by the report of the Task Force on Climate-related Financial Disclosures (TCFD) formed by the Financial Stability Board.

This wave has hit the Indian regulatory framework as well. The new thinking which has emerged is the consensus that the interest of shareholders has to be taken care of for a longer and sustainable period not just from quarter to quarter. The emphasis has also broadened from shareholders to stakeholders — including employees, customers and the community at large. The changes have been brought about often through voluntary guidelines and making them mandatory after a while. The Ministry of Corporate Affairs (MCA) in 2011 formulated the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business which had a Business Responsibility (BR) Reporting format. In 2012, SEBI mandated the inclusion of the BR reports in the annual reports for top 100 listed companies and then extended this requirement for 500 listed companies in 2017. Non-compliance or providing misleading or factually wrong report can invite penal action.

The second wave that has emerged is the pressure from institutional investors such as pension funds, insurance companies and mutual funds. The concept of stewardship first brought out in UK has also taken roots. Being under pressure from their own investors there has been a quantum improvement in the focus of these large investors, these funds have sharpened their focus towards environmental issues. Companies are being forced to improve their environment practices, report these and be prepared for peer comparisons. Shareholder are abandoning companies where, in spite of decent financial performance, the track record on environmental issues is poor. As per a report by Arabella Advisors in 2018, investors with $6.2 trillion in assets under management have been committed to divest from fossil fuels, up from $5.2 trillion in the previous report in 2016.

According to the Global Sustainable Investment Alliance, at the start of 2016, more than a quarter of money, $22.89 trillion, managed around the world is now invested with ESG factors in mind. There is strong research evidence that ESG investing can deliver better returns since companies with strong sustainability scores demonstrate consistent operational performance and are less susceptible to economic exigencies. For instance, the 35-member MSCI India ESG Leaders Index, providing exposure to companies with high ESG performance relative to their sector peers, has outperformed the 78-member MSCI Index over a long-term period from September 2007 to January 2019. The Morningstar India Sustainability Index has returned 14.8 per cent from 2012 to 2016, compared to 13.7 per cent for the Morningstar India Index.

Further, Investors are having intensive dialogue with companies to push them down the path of aligning their business practices with ESG criteria. According to ISS Corporate Solutions, a unit of Institutional Shareholder Services (ISS), a proxy advisory firm, nearly half of all environmental-related proposals were withdrawn in advance of 2019 meetings, compared with 33 per cent two years ago. Another driver of this wave are the socially conscious millennial investors. As per a Morgan Stanley study, millennial investors are nearly twice as likely to invest in companies or funds that target specific social or environmental outcomes.

The third and the most recent wave is the realization on the parts of business corporation themselves that it make sense for them to be conscious and take advance action rather than being penalised by authorities or pushed by investors. In August 2019, the Business Roundtable in United States -- comprising 181 CEOs of the world's largest companies -- adopted a new approach to defining the purpose of a corporation to create value for all stakeholders and not just shareholders. This is the first time corporates have stepped up to steer the discourse on business responsibility towards the environment and society. 2,138 companies from 145 countries, representing $36.6 trillion in revenue are taking climate actions recorded on Non-State Actor Zone for Climate Action (NAZCA) maintained and operated by UNFCCC.

The path ahead of Indian corporates is clear -- adopt a sustainability oriented mindset to steer the company towards being conscious of the interests of all stakeholders. With rising levels of natural calamities and the sale of air purifiers shooting up as the residents of Delhi struggle to breathe in the city's highly polluted environment, the alarm bells are ringing loud and clear. Addressing environmental concerns is going to be a determinative factor in the sustenance of a company. The truth in Greta Thunberg's words at the United Nations Climate Action Summit in September cannot be ignored any more: "... The world is waking up. And change is coming, whether you like it or not."

Tomorrow: *The 'social' aspect of ESG*

Sinha is senior advisor & Sood is associate, Cyril Amarchand Mangaldas

LETTERS

Lame excuse

This refers to "Birthday gift" (December 10). It was quite interesting to learn that a party leader and Puducherry Chief Minister V Narayanasamy chose the occasion of the birthday celebrations of Congress Party President Sonia Gandhi to protest against the centre's failure to control the price of the staple. He not only gifted packs of onion to women workers of the party but many passers-by also. It would have been more effective if he had sent a pack or two to Union minister Ram Vilas Paswan to bring home his point. Needless to say, the government's failure to properly visualise the emerging situation post onion crop failure and its inability to rise to the occasion well in time has led to the messy situation both on the supply and on the price side. Sadly, there has been no honest admission of the failure till date. All that we find at ground zero are some lame excuses.

S K Gupta New Delhi

Practise what you preach

This refers to "No room for nations biased against Indian firms: Goyal" (December 10). While it is only fair for commerce and industry minister Piyush Goyal to demand reciprocity in doing business, our nationalist sentiments should not blind us to the reality. Indian companies wishing to do business abroad must meet internationally accepted standards and have the ability/capacity to adhere to the laws as well as the regulatory requirements in those countries. We must accept that just as our government and regulators do due diligence and demand adherence to our laws and regulations, there are similar requirements in other countries. We can't go around picking holes in the laws/regulations of other countries.

Arun Pasricha New Delhi

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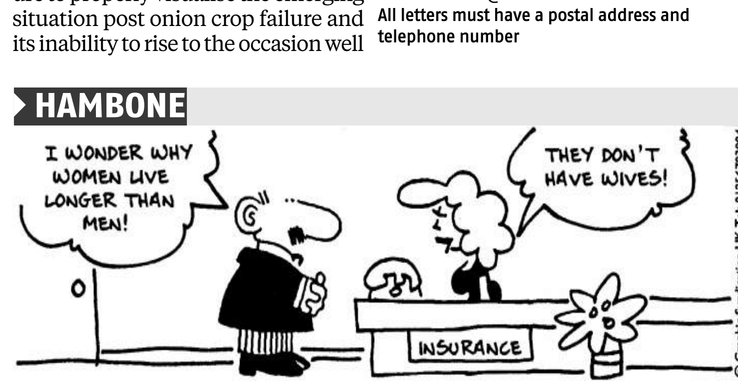
HAMBONE



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Simplify I-T structure

That's the way to go for improving tax base, compliance

Finance Minister Nirmala Sitharaman hinted last week that the government was considering lowering and rationalising personal income tax rates, among other measures, to boost economic growth, which slowed to 4.5 per cent in the second quarter of the current fiscal year. There are a variety of reasons why the government should revisit and rationalise income tax in the forthcoming Union Budget. For one, it would be a logical step after the reduction in corporate tax rates earlier this year, and would help take the process of direct tax reforms forward. The simplification of the tax structure has a better chance of improving collections in the medium- to long-run. Second, this will provide an opportunity to rationalise taxes for different category of taxpayers and remove distortions.

For instance, the late Arun Jaitley highlighted in his 2018 Budget speech that in the assessment year 2016-17, salaried individuals on an average paid ₹76,306 as income tax, while the average for individual business taxpayers, including professionals, was ₹25,753. Even at the aggregate level, collection from salaried individuals was roughly about thrice the amount of income tax paid by individual business taxpayers and professionals. Third, lowering tax rates for individual taxpayers is expected to increase their disposable income and help boost consumption, though the impact on the overall economic activity could be limited because of the small taxpayer base.

The government, though, would have done well to release the report of the task force that reviewed the direct tax laws. This would have enabled a more informed public debate on the issue and, consequently, placed the government in a much better position to take the reforms process forward. At a broader level, while the idea of rationalising individual income tax rates needs to be welcomed, it is important to note that the government is in a difficult position in terms of revenue collection and will need to strike a fine balance. A sharp reduction in rates can adversely affect revenues and further weaken the government's fiscal position. Most analysts believe that it will be almost impossible for the government to contain the fiscal deficit under the target of 3.3 per cent of gross domestic product in the current year. Since the economy is unlikely to witness a sharp recovery in the near term, revenue collection in the next financial year could also remain under pressure.

The focus should, therefore, be on removing distortions and rationalising exemptions, along with tax rates, to minimise the impact on revenue mobilisation. In the July Budget, for instance, the government raised the surcharge for "super-rich" taxpayers, which further complicated the income tax structure. Such measures should be avoided. A significant increase in tax rates, even for a small group of individual taxpayers, raises the possibility of evasion. While there is no certainty of an income tax cut translating into more spending as during tough times the tendency is to save more, a simpler regime with reasonable tax rates can be expected to help improve compliance and increase the base. Meanwhile, the government should also work on building institutional capacity in the tax department with better use of technology to check evasion. This will help improve revenue mobilisation and reduce the burden on honest taxpayers in a more sustainable manner.

Dope and hope

There are many loopholes in WADA's Russia ban

At first glance, the World Anti-Doping Agency's (WADA's) dramatic four-year ban on Russia from participating in major sporting events such as the 2020 Olympics appears to be an appropriately draconian act following revelations of a state-sponsored doping programme for its athletes. A closer inspection, however, suggests that the country could well escape the punitive intent of the ban with plenty of help from world sporting bodies. The discoveries that led up to the ban following long months of investigations — chiefly thanks to information from a whistleblower, a former senior official in the programme — have been shocking. For instance, for the 2014 Winter Olympics held in Sochi in southern Russia, the Federal Security Service developed a way to reopen sample bottles to replace tainted urine samples. Some years before that, athletes were administered a cocktail of banned performance enhancing drugs in alcohol (apparently to mask their presence).

Going forward, though, the proof of the efficacy of this ban lies in how well it is enforced. But the escape clauses appear to be ready at hand. Many commentators have pointed out that the ban isn't "total". Russian athletes who can prove that they are "clean" will be allowed to compete in global events in their "individual" capacity. Thus, for instance, Russia was officially banned from the Pyeongchang winter games in 2018 but 168 of them competed on this basis. The team called "Olympic Athletes from Russia" even won Gold in the men's ice hockey event. WADA is yet to provide a credible explanation as to how an individual athlete can be considered distinct from the sports administration of the country she represents. The Russian football team will be permitted to compete in the Euro 2020, Russia being one of the 12 host countries for a group stage match and a quarter-final. The loophole FIFA, world football's governing body, has exploited is that the European Championship is a regional, not a global, tournament and, therefore, outside the purview of the WADA ban. To understand the real reason for FIFA's unwarranted benevolence, follow the money: Russian oligarchs are big spenders in European football clubs.

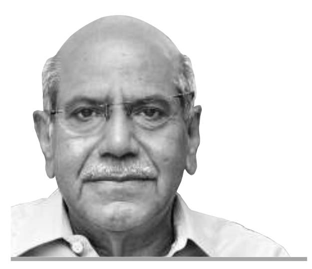
WADA's partial punishment in the face of incontrovertible evidence offers a compelling explanation as to why doping remains rampant in world sports — especially those of the "higher, faster, stronger" variety. The regular breaching of Olympic records by athletes with unnaturally bulked up muscles generate lingering suspicions (though some muscle enhancing drugs are legally permitted). Too many leading sportspeople — from Ben Johnson to Petr Korda and Lance Armstrong to Maria Sharapova — have been caught in the doping net to allay qualms about the rampant use of banned performance enhancers in international sports. The fact that many Indian athletes follow similar regimens is an open secret to anyone who has visited the training facilities in Patiala; if they escape the noose, it's largely because they rarely achieve great success. Though doping was banned only from the late 1960s (and steroids were banned only in 1991), poor detection methods made it possible for athletes to evade detection. Steady improvements in technology — such as those that enable testing older samples — have enabled WADA to tighten the noose. But such is the power of global corporate money in world sports that the organisation continues to regulate with as light a hand as feasibly possible. In the long run, such realism will detract from a vibrant, growing sports business.

ILLUSTRATION: BINAY SINHA

The legitimisation of vengeance

Instead of promoting the rule of law, the killing of rape suspects in Hyderabad sets a reprehensible precedent

Amidst the vulgar outpouring of accolades for the Hyderabad Police killing four rape suspects in an "encounter", it was reassuring to hear the Hon'ble Chief Justice of India sounding a note of caution. While acknowledging the need for swift and efficient justice, he said: "But I don't think justice can ever be or ought to be instant and justice must never ever take the form of revenge. I believe justice loses its character of justice if it becomes revenge."



SHYAM SARAN

Put this alongside the statement reportedly made by the Telangana Chief Minister, K Chandrasekhar Rao, who claimed that the encounter is a "message for the entire country." He justified the encounter killing by pointing to "pressure for immediate action". It was doubtful, he said, if justice would have been served through courts since the "Indian judicial process will go on forever." The Telangana government, far from distancing itself from this illegal act, publicly took credit for it even suggesting that the encounter killing had the sanction of the state political leadership. Even the pretence of this being a case of security forces firing in self-defence has been abandoned. The criminal justice system has to be made more responsive and policing of our streets must be made more effective, but to avoid the hard work and urgent reforms this requires in favour of arbitrary dispensation of punishment is reprehensible and dangerous. Those who belittle the criminal justice system are themselves responsible for its infirmities. In 2006, the Supreme Court had directed the central and state governments to "set up authorities to lay down guidelines for police functioning, evaluate police performance, decide postings and transfers and receive complaints of police misconduct." These directives remain a dead letter. Politicians regard the police as instruments of patronage and for targeting rivals. There has been a steady erosion of professionalism and a sense of public service not only among the police but in the governance system in general.

India has one of the lowest density of police personnel in relation to its population. The sanctioned strength is 181 per 100,000 but the actual number in place is 137. The UN norm is 222. The quality of personnel is poor and declining. In Telangana, where the horrifying rape and killing occurred, the vacancy rate is 26 per cent against the national rate of 24 per cent. And political leaders who are screaming the loudest about protecting our women go around with a security complement which often run into hundreds. This includes several Members of Parliament who have cases of rape and murder pending against them. Should they be subjected to summary justice on grounds that the "Indian judicial process will go on forever"?

Instead of improving public security and enforcing laws, public anger is sought to be assuaged by resorting to deliberate and arbitrary killing of suspects, throwing all legal norms by the wayside. Once such conduct becomes legitimate through political and popular sanction, then the ordinary citizen will have no defences left. It is argued that in this case the guilt of the suspects was not in question. Be that as it may, they should not have been deprived of their right to life without due process. A dangerous precedent is being set, which exposes all the citizens of this country to the arbitrary violation of their constitutional rights. This is a fit enough case for the Supreme Court to take *suo motu* cognisance and bring to justice those involved in the encounter killings and the political leaders who self-professedly instigated it.

Popular sentiment and public outrage are cited to somehow justify recourse to instant and drastic "justice." This is opening the door to mob rule. Responsibility of political leadership lies not in pandering to such popular sentiment but in ensuring that the law of the land is always upheld. Electoral victory gives political leadership the privilege of serving the people of the country in accordance with both the letter and spirit of the Constitution. Popular mandate cannot transcend law. There are well-meaning people who have applauded the encounter killings because of a genuine sense of outrage and even frustration. But they need to step back and reflect that it is precisely those who have failed us in every aspect of governance who are being given the authority to deprive citizens of even their right to life without any legal safeguards whatsoever.

There is a tendency to think that what is being visited upon a fellow citizen today will never happen to us, law abiding as we think we are. Until it happens to us. The shortsightedness of the applause that greeted the denial of freedoms to our fellow citizens in Kashmir is depressing. Each such case sets up precedent for the same being enacted elsewhere in the country. National security may require reasonable restrictions on the enjoyment of fundamental rights by citizens, but who determines what is in the interest of national security and what are reasonable by way of restrictions? If this is done arbitrarily by the State, then the door is wide open to the unscrupulous exercise of power. In recent cases courts appear to accept that the state may impose any restrictions it wants on grounds of national security without spelling them out. Reference may be made to vague terrorist threats or apprehensions of breach of law and order. Often the aim is not to achieve conviction of suspects on the basis of tangible evidence. The harassment through the investigation and incarceration process itself is punishment.

In the lawns of the Supreme Court there is a bronze sculpture of Mother India sheltering a child. The latter represents the young Republic of India. On his lap lies an open book of the laws of the land. Etched on it is a balance representing equality of justice. The message is clear: For the young republic to grow into a proud and enduring democracy, the child must never stray from the laws of the land. The protective embrace of the mother will remain only so long as the laws are respected and observed.

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

Back to square one on trade strategy

India's economy is in trouble and the government's economic management is under fire. Unfazed, the mandarins harp on about strong fundamentals. Even if we were to shed our disbelief, the outstanding question remains: What's the strategy to revive the economy? Mere fundamentals will not do the trick. And, since 2014, nowhere has the absence of a strategy been more obvious than in external trade.

During 2004-14, there was an overarching strategy and a policy that underpinned it: Increase economic integration with the rest of the world, reduce protection and tariffs, and promote competitiveness of industry and exports. Free trade agreements (FTAs) and comprehensive economic partnership agreements (CEPAs) intertwined trade and foreign policy objectives. By 2014, though, somnolence set in. There has been no semblance of a strategy, much less any meaningful policy. Yes, there have been mealy-mouthed statements and renaming of export promotion schemes; those do not a strategy or a policy make.

RAHUL KHULLAR

The numbers tell the story. Merchandise exports and imports grew at 17.3 per cent and 19.1 per cent per annum, respectively, during the decade from 2003-04. The annual growth rates for the five years since 2013-14 are 0. 9 per cent (exports) and 2.7 per cent (imports). Trade was expanding till the setback of the Great Recession; and quantitative easing helped a bit thereafter. So, good luck or right strategy at the right time, take your pick.

In contrast, over the past five years, the government seems to have just surrendered — hand-wringing about the "adverse" external environment. How true is that? Exports from Asia grew by 20 per cent in these five years and some countries did even better. Bangladesh's garment exports grew by 40 per cent in these five years. In 2018 alone, Malaysia and Vietnam posted export growth rates of 14 per cent and 15 per cent, respectively. Truth be told, there was no foreign trade policy, only manna from heaven: The oil price crash. The sharp contraction in the trade balance nurtured complacency: External trade was not a problem. Regrettably, Dutch-disease consequences were not even anticipated. The real exchange rate appreciated and exports plateaued without eliciting any policy response.

The Make in India (MII) initiative was fashioned to increase manufacturing and employment — a New Deal on manufacturing. Unfortunately, MII remained a slogan; it neither boosted manufacturing nor employment. When it was launched, there were apprehensions that it was a blast from the past — modern-day import substitution. Sadly, those fears are coming true. The past few years have witnessed a steady increase in protection. First came the minimum import prices for iron and steel products (2016). Then followed import duty hikes in July and September 2018 across a swathe of products, some clearly to benefit favoured sons. The July 2019 Budget increased tariffs on 75 items including gold. The objective: To promote domestic manufacturing!

In short, the strategy to steadily reduce tariffs has been emphatically reversed. So, even as there has been no articulation of a foreign trade policy, the underlying mindset stands revealed. The commerce minister's recent statement that the goal was "to curb imports and hence CAD" is confirmation, if any was needed.

The trade balance and the current account deficit (CAD) are not merely a function of exchange rates and fiscal deficits. Domestic distortions and policy inaction lie behind large CADs (*Business Standard*, 6 October 2015). Over the last five years, there has been little action to tackle these policy distortions. Coal imports in 2018-19 were $26.2 billion, a 60 per cent increase over 2013-14 levels. Coal accounts for over 5 per cent of our total imports; domestic coal production barely meets 60 per cent of our requirements. Look at the tragedy in higher education. India now pays $21 billion per annum for overseas education — the amount has doubled in less than five years. The import of electronic items increased by 70 per cent in five years to a whopping $56 billion in 2018-19. Imports of pharma and chemicals have a similar story.

The unconscionable neglect of exports and the external sector has impacted competitiveness, productivity and gross domestic product growth. Worse yet, new vulnerabilities are now apparent. First, the peak trade deficit was $190 billion in 2011-12; in 2018-19, it was $184 billion, much higher than $136 billion in 2013-14. Worryingly, the trade balance has deteriorated by 70 per cent in just two years. Second, net oil imports were $101 billion in 2013-14; in 2018-19, they crossed $94 billion — almost double the level in 2015-16. India is almost back to square one, notwithstanding the low oil prices. The reprieve in oil prices has been one more missed opportunity. Third, the invisibles are also under pressure. Remittances have grown by 1.5 per cent per annum in the five years since 2013-14; the corresponding number for net miscellaneous services (think information technology) is 3.5 per cent. And, the net investment income deficit has grown by 5.8 per cent per annum in the same five years; it was a drain of $31 billion in 2018-19. The outcome: We are now even more dependent on remittances and miscellaneous services to keep the CAD within manageable limits.

The exit from the Regional Comprehensive Economic Partnership has received extensive coverage. However, the government seems to be making a virtue of what was a necessity. No foreign trade strategy or policy to speak of; little by way of corrective action to address domestic policy distortions; a back-to-the-past revealed preference. Any surprise that we could not sign up? Houston, we have a problem.

The writer is a former commerce secretary, Government of India

Rebalancing nature

BOOK REVIEW

GEETANJALI KRISHNA

At a time when global leaders are denying climate change even as the world reels under the impact of extreme weather phenomena and gloomy predictions that 30-50 per cent of all species today might be extinct by mid-century, the blurb of Bahar Dutt's *Rewilding: India's Experiments with Saving Nature* , promises that rare commodity — hope for the planet. The award-winning environment journalist has travelled across the country to see dugongs, olive ridley turtles, pygmy hogs and other endangered creatures to assess the efficacy of the efforts to conserve, protect and rewild these species and their habitats. In so doing, she has documented India's uphill battle to save not just its animals but its wild spaces too.

Rewilding is, simply put, the restoration of environments to their natural state. It has four cornerstones — protecting the core, restoring wildlife corridors, reintroducing carnivores at the top of the food chain and nurturing keystone species. These are species that interact with their habitat in so many ways that their absence would significantly alter it. The first question that Ms Dutt poses is whether rewilding is even possible in India, with its diversity of people, animals and habitats existing together, as she puts it, like a tossed salad. To answer it, she documents cases across India, where rewilding has worked, at least in part. What emerges throughout the book isn't just that these conservation efforts have worked — but how fragile they are. Their continued success rests in the hands of the government, often clashing with its development imperative to build more dams, mines, roads and waterways.

Of these, the most striking is the story of the turtle hatchery in Varanasi, which was developed in the 1980s under the Ganga Action Plan. Today, this hatchery, which has provided a safe haven for species such as the Indian softshell turtle and Indian flap shelled turtle as well as the critically endangered Gangetic dolphin, faces an uncertain future. A central government proposal to denotify it as a sanctuary was issued in 2018 to make way for developing a waterway on the Ganges. Ironically, merely two days after the state government issued the order, Prime Minister Modi received the UN Environment Champions of the Earth award for his "exemplary action on climate change and sustainable development". The story of the conservation and rewilding of the mahaseer is also interesting as it is a rare instance of a corporate working towards the conservation of a lesser-known species.

REWILDING: India's Experiments In Saving Nature
Author: Bahar Dutt
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She also examines the efforts towards the conservation of pygmy hogs and one-horned rhinos in Manas National Park, Assam, which remains a hotbed of insurgency.

Consequently, these tales don't evoke the hope that *Rewilding's* blurb promises. Instead, being the good journalist that she is, Ms Dutt discloses that while the Tatas were remarkably successful in hatching mahaseer eggs and transporting them in moist cotton wool across the country with a mortality rate of barely 1.5 per cent, they have done little to protect the mahaseer in the wild. Further, by stocking several hundred thousand fingerlings of the blue-finned mahaseer into the Cauvery without establishing a baseline count of the endemic hump-backed mahaseer, their rewilding effort may be one of the reasons for the catastrophic decline in the humpback population. The question arises, if rewilding can upset the delicate balance in which nature hangs, should it be done at all? Ms Dutt does not provide any answers.

She is, however, spot on in criticising wildlife conservation projects in India which often tend to exclude local communities. For example, the government set up residential schools for girls from the Pardhi tribe, traditionally the poachers of Panna National Park in MP. However, they weren't given any vocational training, and most returned home after years of living away, proverbial fishes out of water. Similarly, some villages bordering Manas National Park were given smokeless stoves to reduce people's dependence on firewood. The stoves stopped working after a while, the people returned to foraging for wood illegally from the park. Ms Dutt muses that perhaps if they had been encouraged to plant trees along the boundary, locals could have had a continuous source of fuel as well as a relationship with the wild.

Perhaps the most disheartening aspect of India's rewilding journey is that the newly rewilded spaces are always going to be vulnerable to destruction. The proposed plan to link the rivers Ken and Betwa is an example. First, the government and NGOs worked for over a decade to rewild this jungle, even successfully reintroducing tigers into it. Today, if the plan to link the two rivers is carried out, it would entail submerging this entire tract of forest. Similarly, a successful citizens' movement to rewild a portion of Delhi/Gurgaon exists under constant threat. The citizens group has already foiled the government's plan to build a highway through the Aravalli Biodiversity Park once. But even today, the fate of the park depends upon the whims of the government and the resolve of its citizen protectors. These stories, instead of evoking optimism, may prompt the reader to wonder if rewilding is even worth it.