Newspaper Analysis and Summary – 31st May 2014

SCIENCE AND TECHNOLOGY

SpaceX unveils capsule to ferry astronauts – The Hindu

A sleek, white gumdrop-shaped space capsule that aims to carry up to seven astronauts to the International Space Station and return to land anywhere on Earth was unveiled Thursday by SpaceX. The Dragon V2, short for version two, is the first attempt by a private company to restore Americans' ability to send people to the orbiting space station in the wake of the space shuttle program's retirement in 2011. "It's all around, I think, really a big leap forward in technology. It really takes things to the next level," said SpaceX CEO Elon Musk. SpaceX is competing with other companies — including Boeing, Sierra Nevada and Blue Origin — to be the first commercial outfit to take astronauts to space, possibly as early as 2017. Until then, the world's astronauts must rely on Russian Soyuz spacecraft at a cost of $70 million per seat. SpaceX's Dragon capsule in 2012 became the first private spacecraft to carry supplies to the ISS and back. Since then, Orbital Sciences has followed with its Cygnus, a capsule shaped like a beer keg that can carry supplies to the space station but burns upon re-entry to Earth's atmosphere.

Musk said a key feature of the Dragon V2 is that it will be able to "land anywhere on Earth with the accuracy of a helicopter." The crew spacecraft will be able to use rocket propulsion and deploy legs to land, instead of using parachutes to make an ocean splash-landing the way the cargo capsule does. It will, however, still have parachutes that it can use for a landing in case any engine problems are detected before touchdown on Earth. The V2 also carries an improved heat shield and will be able to autonomously dock with the space station, instead of needing the space station's robotic arm to catch it and pull it in. Meanwhile, NASA says it is focusing on building a new deep space capsule that could take humans to Mars by the 2030s.

Now, a system to extract water from manure – The Hindu

A technology for extracting drinkable water from manure is on its way to commercial application this year, a U.S. university said on Thursday. The technology is particularly useful for animal operations in dry regions where water is at a premium, according to Michigan State University. The McLanahan Nutrient Separation System is an add-on to an anaerobic digester, which extracts energy and chemicals from manure. The system adds ultrafiltration, air stripping and a reverse osmosis system to produce water that's clean enough for cattle to drink. The system has value both in conserving resources and protecting the environment, said Steve Safferman, an associate professor of bio-systems and agricultural engineering who is working on the project. "If you have 1,000 cows on your operation, they produce about 10 million gallons of manure a year," Mr. Safferman said in a statement. "Here in Michigan we have a tendency to take water for granted. But out west, for example, where drought remains an issue, the accessibility of clean water could make the difference between a farm remaining viable or going out of business." Manure also "contains large amounts of nutrients, carbon and pathogens that can have an environmental impact if not properly managed," said Mr. Safferman.

The issue of ammonia: A particular issue is ammonia "that would otherwise be lost in the atmosphere," said Jim Wallace, a former Michigan State student who is now employed by McLanahan Corp., which is working to develop the technology. "Ammonia is a negative from an air-quality standpoint." About 90 per cent of manure is water. The system now extracts about 50 gallons of water from 100 gallons of manure. Mr. Wallace said developers are aiming to raise that to 65 gallons.

Science non-fiction – The Indian Express

One of the enduring tropes in most science-fiction dealing in intergalactic travel is solving the communication problem. After all, space adventures are rendered much more perilous if the natives can't understand you've come in peace. The Hitchhiker's Guide to the Galaxy had an organism called Babel Fish that burrowed into one's ear and translated any given language by sending signals directly into the brain. Star Trek had a wearable device called the universal translator, which interpreted and translated alien languages into the user's preferred tongue. In the series mythology, after it was deployed in real-time translation for all earthly languages, intercultural conflict on the planet came to an end, ushering in greater understanding. That's quite a legacy for Microsoft's beta of Skype Translate, a near real-time translation tool, to live up to — but this is the future the programme evokes.

Reportedly a decade in the making, the app builds on developments in a field of computer science called deep learning, which models the neural connections in the brain to mimic its behaviour. With more data, the machines can improve performance. This potentially resolves one of real-time translation's knottiest problems — how to recognise speech accurately while simultaneously translating it. Soon, then, a Skype call could take place in dozens of different languages at the same time, with no need for human translators. Of course, Skype Translate is very much a prototype as of now. But it is yet another example of how technological advances are imitating sci-fi and making it reality. Just a few days ago, for instance, Google unveiled its tiny electric car of the future, sans steering wheels, brakes — and drivers. Then there are the 3D printers, soon to be deployed to manufacture everything from guns to fruit (like a replicator from, yes, Trek) and augmented reality helmets and glasses. It's a brave new world, and we're living in it.

ENVIRONMENT

Now, eagles fall prey to diclofenac – The Hindu

After pushing vultures to the verge of extinction in the country, the veterinary painkiller and anti-inflammatory drug, Diclofenac, is turning out to be a serious threat to eagles as well. A research paper published in Bird Conservation International , a Cambridge University journal, says other raptor species such as hawks, kites and harriers that feed on carcasses of animals, will possibly fall prey to the drug too. Scientists from the Bombay Natural History Society (BNHS), the U.K.-based Royal Society for the Protection of Birds and the Indian Veterinary Research Institute at Bareilly in Uttar Pradesh conducted the study. Diclofenac residue was detected in the tissues of two steppe eagles (Aquila nipalensis) found dead in a cattle carcass dump in Rajasthan in February 2012. "We conducted several tests on the bird carcasses that showed the same clinical signs of kidney failure as seen in vultures after they had ingested diclofenac," Vibhu Prakash, co-author of the paper, told The Hindu . The research paper says this is the first instance of diclofenac-related mortality in species outside the Gyps genus of vultures. Dr. Prakash says the drug should be banned, and suggests more studies.

Migrant victim: The steppe eagle is a winter visitor to most areas in northern and central India and some areas in western and eastern India. It feeds on carcasses. Other species in the Aquila genus that are known to frequent carcass dumps include the tawny eagle, eastern imperial eagle and the Indian spotted eagle. Scientists fear that all Aquila species are susceptible to diclofenac. With 14 species of Aquila eagles distributed across Asia, Africa, Australia, Europe and North America, diclofenac poisoning should be considered a global problem. The BNHS says diclofenac caused an unprecedented decline in South Asia's Gyps vulture populations, with the number of white-backed, long-billed and slender-billed vultures declining by more than 97 per cent between 1992 and 2007. Following sustained advocacy efforts, the governments of India, Nepal, Bangladesh and Pakistan banned veterinary diclofenac. However, formulations of the drug intended for use in humans are still widely available and illegally used to treat livestock.

POLITY AND GOVERNANCE

Contemnor can't get away with pseudo apology: SC – The Hindu

The Supreme Court has held that an apology tendered by a contemnor should not be accepted by court if it is not a bona fide act. "The use of insulting language does not absolve the contemnor on any count whatsoever. If the words are calculated and clearly intended to cause any insult, an apology, if tendered and lacks penitence, regret or contrition, does not deserve to be accepted," said a vacation Bench of Justices B.S. Chauhan and A.K. Sikri. Writing the judgment, Justice Chauhan said an apology for criminal contempt of court must be offered at the earliest since a belated expression of regret would hardly show "contrition which is the essence of the purging of contempt." Even if the apology was not belated, "if the court finds it to be without real contrition and remorse and that it was merely tendered as a weapon of defence, the court may refuse to accept it."

If the apology was offered when the contemnor realised that the court was going to award him punishment, it would become "an act of a cringing coward," the Bench said. The Bench dismissed an appeal by Bal Kishan Giri, a member of the Bar, who was fined Rs. 20,000 and awarded one-month simple imprisonment by the Allahabad High Court for making disparaging remarks against three sitting judges. "It is a case where an insinuation of bias and predetermined mind has been levelled by a practising lawyer against three High Court judges," the Bench said. Casting of such "bald, oblique, unsubstantiated aspersions against judges not only causes them agony and anguish but also shakes the confidence of the public in the judiciary…" Reducing the fine to Rs. 2,000, the Bench directed Mr. Giri to surrender and serve a month's sentence in jail.

'Smart, satellite and twin cities are priority' – The Hindu

The Union government will develop 100 smart cities, twin cities and satellite cities around metros to "ease cities", Minister for Urban Development, Housing Affairs and Poverty Alleviation M. Venkaiah Naidu said on Friday. Speaking at a press meet here, Mr. Naidu said: "Smart, satellite and twin cities. They will be our priority." The smart cities would have enhanced transport, sanitation, drinking water, housing and livelihood facilities, public and commercial areas and Wi-Fi connectivity using GIS-based urban planning. The government's buzzword would be urban uplift, he said. He did not, however, identify the cities that would be turned into smart cities as things were still at a "concept stage". In cities, concepts such as bicycle lanes, walkways built with public-private partnerships, rejuvenation of waterbodies, promotion of water transport and recycling of waste would be considered, he said.

He said, "Walk to work and quality public transport is the need of the hour." Education, employment and entertainment were the three reasons people moved to cities. The urban population would increase from 32 per cent today to 50 per cent by 2020. For providing urban housing, the States, local bodies, private sector banks, the public sector and agencies such as the Life Insurance Corporation of India would be involved. A meeting would be held in Delhi on Monday to address the issue of skill development for the urban poor through public-private partnerships and corporates as the government alone could not provide jobs, the Minister said.

No Gujarat model: Mr. Naidu said the best practices from all States would be adopted and no "Gujarat model of development" was being followed. "I am a Minister for the Government of India," he stressed. He said all details of Central programmes must be displayed for the public and there should be no need to file a query under the Right to Information Act to seek information. For example, the amount of cement, steel and labour used to construct a building must be displayed, he said.

New model: Mr. Naidu said a new model for clearing work between States and the Centre would be introduced. Instead of State officials travelling to Delhi, Central officials would visit States and hold "face-to-face meetings with State officials, review and resolve issues in the States." However, while the Centre could give directions and funds, it was up to the

States and municipal bodies to implement tasks. There would be no discrimination against States where other parties were in power. "If it is development, there will be no politics, only a helpful hand," he said.

'Agriculture Ministry to launch two schemes' – The Hindu

Union Agriculture Minister Radha Mohan Singh on Friday said his ministry would propose two national schemes "to give an impetus to the dying agricultural practice" in the country.

Addressing the media, Mr. Singh said, "There is 14 crore hectares of agricultural land in India, of which only 44 per cent in under irrigation." Mr. Singh said that Pradhan Mantri Gram Sinchai Yojana would be introduced so that more agricultural land is irrigated. Talking about the plight of small and marginal farmers he said that most of them were leaving the agricultural practice because of the uncertainty over the produce and returns. "We shall try to introduce Krishi Amdani Beema Yojana so that the farmers don't bear any financial burden if their produce gets destroyed due to unexpected weather or for any other reason." In the Lok Sabha polls, the Bharatiya Janata Party (BJP) candidates won all five seats in the State. However, none of the five MPs have found representation in the Union Cabinet. During his first visit to the State after being appointed as the Union Agriculture Minister, Mr Singh, who was also incharge of the BJP's State unit, said that Uttarakhand was a priority State for the Centre.

ECONOMY

Economy expands 4.7% in 2013-14 – The Hindu

Smart farm sector growth spurred India's economy to grow 4.7 per cent in 2013-14, according to the gross domestic product (GDP) provisional estimates released on Friday. The GDP growth rate in the previous year was a decade-low of 4.5 per cent. This is the second year in a row during which the economy's growth remained below the 5 percent. The last time the economic growth rate had pierced the 5-per cent mark was in 1984-85 to 1987-88. Good harvests in both the seasons lifted farm sector growth to 4.7 per cent for the year. It had grown 1.4 per cent in the previous fiscal. In the three-month period January-March, the farm sector grew 6.3 per cent against 1.6 per cent growth in the same period of 2012-13. The data released by the Central Statistics Office (CSO) confirms that both the manufacturing and mining sectors shrunk in 2013-14 with fall in output. Lacklustre infrastructure activity dampened construction growth as well. The manufacturing sector contracted (-) 0.7 per cent in 2013-14 against 1.1 per cent in 2012-13. Mining and quarrying declined (-) 1.4 per cent against (-) 2.2 per cent in 2012-13.

Investments or capital formation fell due to low movement in infrastructure and high interest rates. "...the ushering in of a stable government, post elections, has revived sentiments and lifted investor confidence which would pave the way for growth. But much more is required to turn around the economy," Confederation of India Industry Director-General Chandrajit Banerjee said in a statement. FICCI President Sidharth Birla said in a statement: "Announcements made by the Prime Minister and his Cabinet ministers over the last few days leave us with an encouraging outlook, as the governmental actions will definitely have a positive impact on the investment sentiment." "Going forward, the emphasis has to be on effective implementation and timely action." The CSO's advance estimate for GDP released in February had pegged the growth rate for 2013-14 at 4.9 per cent. The estimate for per capita net national income in real terms (at 2004-05 prices) in 2013-14 is Rs.39,904 against Rs.38,856 in the previous year. The growth in per capita income is estimated at 2.7 per cent.

PTI reports: Echoing similar views, PHD Chamber President Sharad Jaipuria said: "Though growth of real GDP at 4.7 per cent for 2013-14 is below growth projections given by the CSO in its advanced estimates, it is expected to improve in the current financial year 2014-15 as the government is taking significant steps to rejuvenate the economy."

EDITORIALS

Don't mess with the banking sector – The Hindu

As the new Finance Minister, Arun Jaitley, comes to grips with his portfolio, he will need to quickly focus on the banking sector. Today, Public Sector Banks (PSBs), which account for over 70 per cent of assets in the banking system, are bogged down by a rise in non-performing assets. This has eroded their profitability and limited their ability to raise the regulatory capital needed to make loans. A Reserve Bank of India (RBI) committee on bank governance, headed by P.J. Nayak, has a ready solution: free PSBs from government control and eventually privatise them. It is a solution that is fraught with both political and economic risk. Mr Jaitley must steer clear of such quick fixes. The Nayak committee's case for privatisation rests on the presumed superior efficiency of private sector banks. It thinks that if only the government gave up its controlling function and became a passive investor instead, it would stand to make enormous returns on its shareholding.

Problems with the proposition

There are serious problems with this proposition. One, it is based on a comparison of performance of PSBs and private sector banks at a time when PSBs are weighed down by the problems of the economy at large. It would be more appropriate to compare performance over a longer period. A wide range of academic studies points to a trend towards convergence in performance of PSBs and private banks since banking sector reforms were set in motion in 1993-'94. Two, such comparisons are flawed by what is called 'survivor bias' in the private sector group. Several new private sector banks licensed after 1994 have ceased to exist. Precisely for this reason, they would not be found in the private bank group used for comparison. This lends an upward bias to the performance indicators of private banks.

Three, the comparisons ignore the scope of activities of PSBs and private banks. PSBs have an important development role. They took upon themselves the task of funding private investment in infrastructure which was an important driver of growth in the boom period of 2004-08. Private banks can be more choosy about what they wish to fund. Many are focussed on the retail segment, working capital and wealth management. Foreign banks make enormous profit out of their capital markets division alone. If PSBs were to adopt such a narrow focus, sectors that are crucial to the economy would be starved of credit.

From a flawed starting point, the committee moves on to a diagnosis and a prescription that are even more flawed. The committee thinks the PSBs are doing badly because their boards are dysfunctional. The government packs the boards with its own people. The boards go through the motions of approving proposals put up by the management. Little thought is given to issues of strategy and risk management. In contrast, private banks have high-quality professionals on their boards that provide sage counsel. This, the committee contends, is what explains superior private sector performance. The solution? The government should distance itself from bank boards. The committee wants government shareholding to be transferred to a Bank Investment Company (BIC). The Bank Nationalisation Act and other related Acts must be repealed and PSBs brought under the scope of the Companies Act. The BIC would appoint members of boards of PSBs as well as their CEOs and executive directors. It would let its stakes in PSBs fall below 50 per cent so that banks are freed from limits on remuneration, the Right to Information Act and the jurisdiction of the Central Vigilance Commissioner.

Freed from these vexations, the PSBs can single-mindedly focus on profit maximisation. Eventually, the BIC would transfer its ownership powers to the bank boards. The government’s stake in the BIC itself would fall below 50 per cent, thereby privatising these banks. We would enter a brave new world of Indian banking liberated from the stranglehold of government ownership. The committee’s faith in the functioning of private bank boards is truly touching. If boards in the private sector are such paragons of virtue, the committee must tell us why some of the biggest banks in the U.S. and the U.K., whose boards were packed with glittering names from the corporate world, collapsed in the financial crisis of 2007. To cite only one example, the U.K. regulator, the Financial Services Authority (FSA), looked into the collapse of the Royal Bank of Scotland, the biggest banking failure in the country’s history. Its report noted that there was an almost complete lack of questioning and challenge on the part of the board in the critical years when the bank hurtled towards ruin. There was nothing wrong with the composition of the board.

Boards in general are dysfunctional, whether in the private sector or the public sector. The remedies must, therefore, be generic in nature. The Companies Act 2013 and clause 49 of Securities and Exchange Board of India’s listing agreement now contain clauses that are intended to improve the functioning of boards, in particular, that of independent directors. In banking, the regulator needs to go further. ‘Fit and proper’ criteria for board members must be strengthened and the RBI might adopt the FSA’s practice of interviewing candidates proposed for a directorship on a bank board. For banks above a certain size, there could be a requirement that positions be advertised and nominations sought from eminent persons so that a wide pool of talent is tapped. The RBI may stipulate that bank boards contain expertise in areas such as risk management and marketing of financial services. Board effectiveness could be measured using outside experts. These measures would help strengthen boards. We must recognise, however, that there is only so much that boards can contribute. It is the quality of management that is crucial to performance. In PSBs, this must be the government’s responsibility. The government does not have to discharge this responsibility through diktat from the finance ministry. It can operate through its nominees on the board. The government nominees and the RBI nominee on PSB boards must ensure that there is proper succession planning and that managers are groomed for various levels of leadership.

Opposing privatisation

It is unlikely that the Nayak committee's proposals will go through in the near future. Political parties and trade unions will oppose any move towards privatisation. This will make the repeal of various Acts difficult, given the present composition of the Rajya Sabha. Selling government stakes in PSBs without turning them around is bound to invite accusations of a 'scam'. No government can risk distancing itself from control of PSBs and handing over these to a group of professional managers at a time when banks are severely stressed. That apart, we need to be clear about the basic rationale for government ownership in banking in India. There is more to it than the larger social purpose of banking. Our experience has been that government ownership has been a factor underpinning stability in banking. The world over, economies have faced banking crises over the past several decades. Banks failed, they were nationalised or bailed out, then turned over to the private sector. This is the phenomenon of socialisation of losses and privatisation of profits that has come to attract public outrage.

India's experience has been refreshingly different. The Indian approach has been to have the public sector dominate banking while exposing it to competition. In the process, efficiency has improved without jeopardising stability. Experience has shown that it is possible to retain the public sector as the sheet anchor of the banking system without compromising on efficiency. Addressing the issues of governance at PSBs requires focus on the part of the finance ministry. Mr. Jaitley doesn't have to look very far for inspiration. One of Narendra Modi's less heralded achievements as Chief Minister of Gujarat was his success in turning around state PSUs by professionalising their boards and giving management a free hand.

(Ram Mohan is a professor at IIM Ahmedabad.)

The road ahead for the Election Commission – The Hindu

The Election Commission's submission of the list of elected MPs to the President on May 18 brought down the curtain on the general election to the 16th Lok Sabha. A vigorous campaign that began well with sparkling wit, barbs and repartee however deteriorated over time. From the announcement of elections till the last date of polls, the EC seized, among other miscellaneous items, Rs. 313 crore in cash, a staggering amount of liquor valued at Rs.1000 crore, 1.85 lakh kg of narcotics and more alarmingly, 145 kg of heroin. Andhra Pradesh emerged the undisputed leader in the amount of cash seized; Karnataka and Tamil Nadu topped the ranks in the cash-for-votes department. Sadly, if newspaper reports and party protestations are to be believed, booth capturing seems to have returned to the electoral arena after almost a decade. Further, the number of mistakes in electoral rolls and in the names of prominent citizens missing from them went up in these elections in many places such as Pune and Mumbai.

Campaign to attract voters

The unprecedented spike in voter turnout was a welcome surprise, making the EC justifiably proud of its systematic campaign to enthuse electors to exercise their franchise. But the announcement by the election machinery — of rewards for voting — made one wonder whether the EC was also veering toward the view that the average Indian voter has to be 'lured' to vote. While providing basic facilities in polling stations is unexceptionable, model polling stations at Rs. 60,000 a unit seemed a mockery of financial prudence. Was the EC bitten by the publicity bug to miss the plot somewhere in its high-profile Systematic Voters Education and Electoral Participation campaign? From all accounts, it seems that there was no intensive revision of electoral rolls this time. If only a summary revision was done, the chances of the names of long-time voters getting deleted would have been low. Election Commissioner H.S. Brahma, while graciously apologising for the faux pas, attributed the problem to lapses in supervision. The Chief Election Commissioner (CEC) on his part promised an inquiry into the alleged large-scale disappearance of names in the Pune and Mumbai electoral rolls. It would be in the interests of the EC to have the summary revision done quickly and share the information with the public so that suspicions of intentional wrong-doing can be removed. But in finding a solution, we cannot overlook the fact that fast-paced urbanisation necessitates a paradigm shift in the maintenance of urban electoral rolls.

The Booth Level Officer (BLO) has been a useful intervention but in urban areas he can no longer cope with his task. A study prior to the 2008 election to the Karnataka Assembly revealed that in Bangalore, there was close to 10 per cent change every year in the electoral rolls due to inter-city and intra-city migration. If changes are not tracked regularly in the space of a couple of years, the dissonance will become pronounced. In urban centres, the BLOs, unlike their rural counterparts, may not be living in the same area and may not be intimately familiar with their respective charges. It is time that a permanent set up is created in every ward in all metropolitan cities and in all municipal towns with more than 5 lakh people taking care of the changes in electoral rolls through the year. In the run up to the 2008 general elections to the Delhi Assembly, former Chief Minister Sheila Dikshit approved the setting up of 70 Voter Registration Electoral Photo Identity Card centres, one for each assembly constituency, covering two municipal wards. Such a facility could be part of a multiple service centre providing a number of services to citizens such as providing birth and death certificates, receiving tax payments, redressing grievances on deficient municipal services and so on. Further, it would be more cost-effective if the same rolls are used for municipal elections. It is also necessary that reputed NGOs are involved with government staff and are provided adequate monetary compensation.

Database of deleted names

The Chief Election Commissioner had said in a televised interview that there was "no substitute to diligent and sustained hard work and perseverance." That has to be enforced at the ground level. A separate database of deleted names should be created for each polling station which should be preserved for five years, and names should be checked for repetition elsewhere. In an effort to curb the use of money power in this election, the EC initiated a slew of measures. A new expenditure monitoring division was created. The material gathered by these teams has to be put to effective use. While election petitions have to be filed within 45 days of declaration of results, the candidate gets 30 days to file the statement of accounts, leaving only 15 days for an objector to prepare his case for submission before the competent court. While election petitions are filed only against winning candidates, others violating the expenditure ceiling go scot-free unless a case is filed before the EC or it takes up a case suo motu under Section 10A of the Representation of the People Act, 1951. The Supreme Court, in the case of the former Chief Minister of Maharashtra, Ashok Chavan, recently confirmed its 1999 decision that under Section 10A, the EC is empowered to disqualify a candidate who files an incorrect election expenditure statement. It would be better if expenditure statements and video recordings of the activities of the candidates are proactively shared by the EC with activists, enabling them to take up cases. A dent can be made in the blatant overspending by candidates only if the EC disqualifies some prominent candidates in extraordinary cases. The EC has its task cut out and its time it concentrated on its primary tasks.

(N. Gopalaswami is former Chief Election Commissioner.)

Not a right to be shielded – The Hindu

The intent behind the European Union Court of Justice verdict, to allow people to remove awkward, embarrassing and inconvenient personal information from search-engines, may not quite be to create sanitised online societies. But the May 13, 2014, ruling could more or less push citizens in the bloc of 28 states of the European Union, and possibly other countries around the world in the future, in that rather odd direction where, in the guise of protecting personal data, people end up hiding aspects of their own history. The court held that individuals have a right to influence what information others may gather about them on the Internet. Individuals have to show that the information sought to be removed is no longer relevant for the purpose for which it was originally processed. Against such a broad criterion, imagine a flood of petitions to have data deleted from search results, and on all sorts of grounds. Allowing people to exercise control over data that get into the public domain may sometimes work against transparency. This aspect cannot be wished away lightly, considering the number of repeat offenders that so often slip through the net, causing grievous harm to the public. Attempts to rewrite societies' collective history have been viewed with some suspicion in recent years. Concealing one's personal history also may not always be all that innocent. It is in any case not the most effective means to ensure that one's past is not held against him. Coming clean stands a better chance of winning the trust and confidence of others.

The ruling of the Luxembourg court puts a question mark on the premium currently attached to the principle of free flow of information. Potential employers and headhunters would want to know more, rather than less, about the antecedents of prospective recruits before they finalise contracts. This need may be felt more acutely today when hiring from abroad has become a common practice. Firms would also prefer not to have to invest much effort or time to access such information. To be sure, personal data that are dropped from Google links would still be available archivally and in records held by governments. The bona fides of persons can always be verified directly via individual sites, or through overseas contacts.

Hence, the inference that the fallout from the verdict would work to the detriment of the public interest may not be entirely justified. The ruling comes against the backdrop of reform of the 1995 EU personal data protection law that has been approved overwhelmingly by Parliament, wherein the right to forget forms an element. The right to be forgotten ought not to be allowed to be abused as a right to be shielded.

When Modi met Nawaz – The Indian Express

Reaching out to the SAARC countries on his inauguration was an imaginative gesture on the part of the new prime minister. This is the region nearest to India, with geographical, historical and cultural ties, with shared problems and aspirations. The immediate neighbourhood has always been top priority in foreign affairs and Narendra Modi's initiative shows that it remains so. There was an element of spontaneity in his invitation, suggesting that it was a personal initiative by him. And if India reached out, the rest of the region responded handsomely — all accepted and attended.

Nawaz Sharif's decision to attend gave a particular dimension to the occasion. Pakistan is where India's biggest challenges lie — basic questions of strife and tranquility are involved, and a long history of bitter hostility. Modi's party is identified with tough attitudes towards Pakistan, laying emphasis on the need to address the issues of terrorism and border clashes before any kind of normalisation can be envisaged. There was some grumbling from party hardliners when Nawaz came but Modi was undeterred, and the Nawaz visit became the biggest event in the international outreach at his inauguration. Images of amity came out of the meeting between the two prime ministers, suggesting that it had been a warm and friendly encounter, which is not unusual when Indian and Pakistani leaders meet. Subsequent press briefings from both sides were a little more measured but still encouraging and positive in tone. The prime ministers had their senior advisors with them, though this was essentially a session for them to get to know each other.

The real test of their meeting will be how far it serves to develop mutual confidence: both prime ministers have baggage to shed, and if Modi has to contend with the shadow of 2002, Nawaz has Kargil to live down. No major initiatives were announced after the meeting, beyond a decision that the two foreign secretaries would meet, though no details have been indicated or dates announced. It can be assumed, however, that the officials will aim at reviving the bilateral dialogue, which has been languishing for some time. As the meeting of prime ministers seems to have gone well, there is an expectation that further tangible steps may be possible. Greater trade ties, in particular, which have been discussed several times, would offer obvious benefits to both sides. Moreover, the required facilities have long been available at the land crossing in Punjab. But the final step has been held up by bickering over details. Maybe Modi's more forceful style will lead to quicker results on trade facilitation, which would bring quick benefits, especially if accompanied by easier arrangements for people-to-people contact.

The major stumbling block is terror. For progress in bilateral ties, it is essential for India to be satisfied that steps are being taken to curb hostile cross-border activities. There is a sense in India that the civilian leadership in Pakistan may not be fully in command, and that the army and security agencies may have their own views on this matter. Such apprehensions have been repudiated by the other side but cannot easily be laid to rest. Notwithstanding their significant differences on this vital matter, it is necessary for the two sides to remain engaged and seek some common ground against the threat of terrorism. A revived dialogue would also need to address other long-standing disputes, like Sir Creek and Siachen, and, as has often been suggested, it may be time to re-examine and expand the structure of the dialogue process itself in order to obtain better results.

One key issue on which talks have not come to a halt is Kashmir, which has been under discussion through a special back channel between the two governments. Reports from knowledgeable individuals engaged in this effort suggest that they have actually got somewhere. A four-point formula for a settlement has emerged from the secret talks, which could be a significant advance on this most intractable of issues. It may be that the time has come to bring the back channel conclusions out into the full light of day. They derive from the efforts of the previous government but may still offer a chance of bilateral reconciliation. Ultimately, progress in Indo-Pak matters depends not so much on negotiations between experts as on the conviction and commitment of the leaders. The abiding model is Atal Bihari Vajpayee's bus yatra, which was a direct thrust to the core of the matter. A comparable effort is needed today to achieve the results everyone desires. It may not be possible to resolve all issues in one go, but it will take a hard push from the top if we are to get anywhere.
The writer is a former foreign secretary

Will the new India please arise – The Indian Express

Expectations abound for a naya daur. There are several loose ends on the macro side that need to be sorted out. More than the bureaucracy, the thinking is entrenched in old boxes. Narendra Modi has promised change; the delivery time is now.
The RBI: A new relationship must evolve between the prime minister, ministry of finance and the RBI. There are several small steps involved. Recognise that the RBI is independent of the ministry of finance (MoF) in name and blame. Recognise that the incumbent, Raghuram Rajan, has the ability to be not only the finest RBI governor we have ever had but also, potentially, to be one of the finest in the world. Thus, comments like we will change the governor, or he will toe our line, or that interest rates must be lowered because the MoF thinks so, do not belong in a new India. Nowadays, such comments should be considered trash and deleted from the recycle bin.

So what actions will constitute the writing of a nayi kahaani? Monetary policy to be made by the RBI, and true independence accorded. Interest rates will be determined by the RBI as it sees fit. In exchange, the RBI governor will make twice-a-year appearances before a joint session of Parliament, where he will be grilled, questioned and if need be, "cooked" over his/her policies. There is no direct or indirect linkage between the RBI governor and the finance minister, but the two hold at least once-a-month meetings to discuss monetary and fiscal matters facing the country. The meetings, and stature, should be one of equals.

Fiscal policy: A lot of work has already been done with regard to indirect taxes and it is encouraging to note that implementation of the GST has been accorded top priority. But a lot remains to be done. The prime focus will temporarily shift to the presentation of the Union budget in early July. It should be a vision document, but must contain the following features. Most importantly, that taxation is not a morality play, not a conscience keeper for left-liberals or bureaucrats/ economists weaned on Nehruvian economics. The thinking that hey, I paid my moral dues at the community temple by asking for increases in dividend tax, capital gains tax, corporate and income tax is so day before yesterday. The excuse that the government did not collect money because people did not comply with your morality will not wash away any sins any more.

The prime purpose of fiscal policy is to maximise revenue and minimise expenditure. The former involves the plugging of loopholes, as does the latter. Corruption is present in the loopholes. So how does one maximise tax revenue? By maximising growth and minimising tax rates. Obviously, the minimum tax rate should not be zero. So what is to be done? New tax policy — zero dividend tax, all capital gains tax at 7.5 per cent (short-term, long-term, property), and zero securities transaction tax. One needs to do a complete rethink in order to achieve a Jupiter-style velocity into the new world. Did you know that the government does not publish or allow publication of data pertaining to income tax returns, which income group paid how much tax? These data were published, albeit in limited form, till a few years back. Until UPA 2 disallowed or prohibited the practice. Time to make such data freely available, so one can actually witness the fact that the rich have the highest compliance rate.

Personal income tax: A complete overhaul of the tax system with only two tax rates — 10 and 20 per cent. This will increase compliance and substantially increase revenue. Corporate tax: This should be restructured according to best practices in the world (which most emphatically rules out the US) and with two goals in mind — maximisation of revenue and global competitiveness. At present, Indian corporations are among the highest effective tax-rate payers in the world, where effective is defined as the ratio of taxes paid over income made. This effective tax rate is, at present, around 25 per cent; it should be closer to 18 per cent. Essentially, what needs to be done is a lowering of tax rates and an increase in efficiency of tax collection. An increase in tax compliance that will accompany lower tax rates will also mean substantially lower corruption.

Expenditure policy: Try surgery. The broad statistics on fiscal deficit are as follows (and it is surprising how many tax experts and policy economists and especially market economists are unaware of the empirical magnitudes of this “identity”). The consolidated Centre-plus-state fiscal deficit is around 8 per cent of GDP; 5 at the Centre and 3 in the states. Expenditure (state plus Centre) is around 30 per cent of the GDP. So revenue is 22 per cent, of which non-tax revenue is 4 per cent of GDP. Implementation of the GST should allow extra revenue of 1 to 2 per cent of GDP; a substantial reduction in welfare or in-the-name-of-the-poor subsidies to only 2 per cent of GDP will save another 2 percentage points. Linking the subsidies to cash transfers and Aadhaar will mean that the bottom third of the population will get nearly five times the money they presently receive via misguided Nehru-Gandhi socialist programmes like PDS and MGNREGA.

A rationalisation of welfare expenditures will allow for substantial increases in expenditures on infrastructure and public health, especially on water and sanitation (including cleaning of the Ganga and other rivers). This will allow the Central fiscal deficit to be less than 3 per cent in two years, and less than 2 per cent in three. That is the nayi kahaani, and we have not even begun to talk about the positive effects that will occur from increased GDP growth. This new tax and expenditure policy is win-win, stupid. You will only recognise it to be such if you leave your pretentious morals at home. PS: There is some disturbing news. If reports are to be believed, the BJP government (or old Nehru-Gandhi bureaucrats out to stump Modi ?) has stated that they cannot act now on the draconian retrospective tax legislation until they hold "widespread consultations with the stakeholders". Is Modi's BJP the new Congress? So soon? The ink on the oath is not even dry yet.
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Banking on ourselves – The Indian Express
Indian banks have unfortunately been in the news for the wrong reasons. While it is easy to scapegoat them, the current situation is actually the result of multiple factors. As a result of the financial crisis, the global financial system is under intense scrutiny. It is appropriate to examine the issues and possible policy directions for the Indian banking system while recognising our developmental imperatives and that we function in a globalised world. And while we learn from the financial crisis, we must also understand that crises recur at regular intervals. Over-enthusiasm to solve the problems that caused the last crisis may do more harm than good. A brief examination of the cause of the crisis is in order. Over time, we moved from a highly regulated commercial bank-centred system to a complicated, highly engineered system. Much financial intermediation started taking place in markets beyond official oversight, and involved highly opaque engineered derivative instruments. The complexity, opaqueness and systemic risks embedded in these markets have still not been understood fully.

At the heart of the problem is the inherent risk involved in financial intermediation, whereby those who need funds get them through an intermediary or the market. The providers of funds insist on safe, highly liquid outlets for their money. Reconciling these requirements involves risks — credit, maturity and liquidity. Managing these risks was once the role of commercial banks, savings institutions and insurance companies, which were subject to regulation and had a safety net — the central bank. But in the new paradigm, intermediation is the domain of the open market. The general idea is that risk can be minimised by unpacking institutional relationships, separating maturity and credit risks, and creating instruments that would meet the needs of people willing to absorb these risks. The rationale was to encourage better pricing and distribution of risk. While this is efficient in theory, in practice it creates unimaginable complications.

The principal gatekeepers in the new paradigm were the rating agencies. But mathematical modelling and drawing inferences from the past to anticipate unexpected events are flawed. A combination of herd behaviour, opaque loan characteristics and the breakdown of market functions at times of crisis requires a reassessment of market participants and their functions.
Globally, regulators agree on the need for reducing leverage, better asset liability and systemic risk management, and oversight. However, a financial system should be a reflection of the real economy. Therefore, while globally, the overall regulatory architecture is moving in the right direction, countries need to be careful in their implementation of the new regulatory system.

The Indian financial system needs to have the sophistication of developed markets while having a base to meet the needs of small businesses, farmers etc. It is asked to do the job of debt markets and banks, and also play a developmental role, which is a tad difficult.

It is clear that for the immediate future, commercial banks are going to remain the bedrock of our financial system. Their orderly development is going to be critical. Given the dominance of our commercial banks, due to which most market-related risks passed us by, we need to examine whether we really need tougher-than-Basel III norms. There is no doubt that we need to improve credit, maturity and liquidity management, but having higher capital adequacy norms than what is globally prescribed could create issues for return on equity (ROE) and capital requirements without making the system more secure. Currently, regulation requires banks to maintain capital adequacy ratios that are between 60 and 90 basis points above international norms.

Additionally, though Indian commercial banking is highly competitive and, in fact, some services are priced below prudent levels, we seem to be further reducing legitimate charges through regulation which will impact the ROE. Government borrowing also strains the system. Requirements related to the statutory liquidity ratio (23 per cent), cash reserve ratio (4 per cent), priority sector lending (50 per cent) etc, increase the cost and reduce availability of funds. Importantly, the government owns 70 per cent of the banking system and several issues related to this need to be viewed afresh. Unless we revamp this sector, we will not be able to alter the market. We also need to revamp the legal system — recovery cases must be dealt with speedily and a Chapter 11-style bankruptcy law must be passed. Pending the development of debt markets, if banks are expected to meet the requirements of long-term project borrowings, we must exempt such debt from SLR and CRR requirements so that costs to borrowers can be brought down while the viability of the banking system is maintained.

There must be some fundamental problems with the development of debt markets as we have not made much progress over the last 20 years. Perhaps baby steps will not work and we need comprehensive regulations and appropriate market conditions for its development: a liquid and efficient sovereign bond market with an arbitrage-free rupee yield curve, a liquid spot market for rupee-denominated corporate bonds, credit derivatives and bank guarantees for project debt to help encourage institutional investment, and a wide range of essential derivatives on rupee interest rates (do not throw out the baby with the bathwater, all derivatives are not bad).

As far as the equity market is concerned, we have done a reasonably good job. The only issue is that we need more local institutional and retail participation to reduce FII dependency, which leads to volatility and scares retail investors. Similarly, a comprehensive examination of mutual fund regulations, tax laws, capital protection schemes etc is also urgently required.

On the issue of financial inclusion and access, political, economic and social necessities, we need to make substantial improvements. Access refers to every citizen's ability to open a bank account. The primary purpose of this is to inculcate a banking habit in people, make direct benefit transfers possible and create credit histories. Banks have done a good job on this so far and can probably do even better if their demand for being compensated by the government for work taken over were met in a fair and professional manner. Financial inclusion, on the other hand, means making a person financially viable on a sustainable basis. Simply distributing subsidies and loans without helping people use them productively does not lead to sustainable improvement.

While the need for intermediation remains, restrictions are causing the business of intermediation, exchange and payments to move to unregulated or lightly regulated entities. Regulators seem comfortable with this, thinking that there is no leverage and therefore no systematic knock-on effect. This premise is unlikely to hold once the scale of these operations overshadows the banking system and there is an event risk. Ultimately, the game is the same: savers, lenders, intermediaries and investors are desperate for higher returns. It'll be like deja vu when things go wrong — while there is no leverage, the last person holding the fund takes the hit. We have to be careful of the disproportionate rise of loan sharks, pay-day lenders, private equity, Paypal, virtual wallets and asset managers.
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Focus on Beijing – The Indian Express

The bilateral relationship between India and China is a key foreign policy challenge that will require concerted focus and effort by the Narendra Modi government. The iteration of bilateral priorities in the telephone conversation between Prime Minister Modi and Chinese Premier Li Keqiang marks a good beginning. Given that China offers, at the same time, a big economic opportunity and a strategic challenge, dealing with it will necessitate shedding the heavy-footedness and diffidence that has held back Delhi's China policy so far. The UPA's China policy ended up denying the Indian economy the full benefits of economic cooperation with China, by citing security considerations, while glossing over genuine security issues by claiming political convergence with Beijing.

Modi's emphasis on the economic aspect of foreign policy could see closer attention paid to Southeast Asia and the Asia Pacific, and China is arguably the most important and trickiest component of that picture. No matter how fast the Indian economy recovers and the Chinese slows down, if at all, Delhi cannot hope to close the gap any time soon. Instead, it should manoeuvre its disadvantage into advantage and embark on an economic partnership that invites and eases Chinese investment. While bilateral trade is expected to touch $100 billion in 2015, India needs to redress its $40 bn trade deficit. Li and Modi have reportedly agreed on frequent high-level exchanges. Chinese Foreign Minister Wang Yi's forthcoming visit and Modi's invitation to President Xi Jinping signal that Sino-Indian engagement may become more result-oriented. Modi and Xi will also have the opportunity to interact at the BRICS summit in Brazil in July.

Greater economic cooperation, however, will not erase the military imbalance India suffers to its north with China, which impinges on the long-running border dispute between the two countries. Even as it raises the level of its engagement with Beijing, the government will have to simultaneously focus on upgrading border infrastructure in the north and modernising the armed forces — two projects that were only spottily addressed by the previous government. At the same time, China's Southeast Asian and East Asian neighbours look forward to greater Indian involvement in the region as a credible security partner, given China's aggressiveness in maritime disputes. The government's challenge is to triangulate this relationship with China on the one hand and Southeast and East Asia on the other, to India's benefit.

Laying down rules – The Indian Express

The first circular issued by the Department of Personnel and Training under the charge of Prime Minister Narendra Modi cautioned ministers on sticking to rules in hiring personal staff. Do not recruit relatives, it said, and advised ministers to restrict themselves to the general pool available. The department's website has also uploaded existing rules for such recruitment, which include the guideline that no person can serve on a minister's personal staff for more than 10 years. In a related flurry of advice to his council of ministers, Modi has exhorted them to use social media to reach out, to set a 100-day agenda, give ministers of state adequate work, focus on implementation, and coordinate with state governments. This is a good beginning. But the proof of its efficacy shall lie in the degree to which arbitrariness is avoided in honouring guidelines, norms and conventions. This is essential for cleaning up government, for making it more engaging and accountable, and importantly, for giving ministers elbow room to be more transparent and confident in the use of discretionary powers to get work done.

The new government need only look back to the conditions that created the UPA government's so-called policy paralysis, a hold-all term for the various factors that were perceived to have frozen it in the face of governance challenges. Inappropriate staffing was one — as detailed in this newspaper a year ago, as many as 87 persons were on the personal staff of ministers in breach of the 10-year limit. Arbitrary standards of public engagement and transparency — in articulating policy or explaining action — did little to foster trust that the government was seized of its mandate. The presence of another centre for policymaking, the NAC in the Congress's case, did not just take the initiative out of assorted ministries, it also created an impression of evasiveness and powerlessness. Equally, the perception of each minister being left to her own devices — whether emboldened to do as she pleased, on account of coalition compulsions, or hobbled by not getting adequate support from the council of ministers — took a toll. Can the new government signal a new beginning? For now, there is reason for cautious optimism. But it will take more than atmospherics.