

## Newspaper Analysis and Summary – 26<sup>th</sup> September 2015

### SCIENCE AND TECHNOLOGY

#### Andhra Pradesh set to emerge as missile hub

India's largest missile systems manufacturing and integration facility with an investment of Rs. 500 crore is being set up on a sprawling 900-acre site at Palasamudram, Gorantla in Anantapur district of Andhra Pradesh.

Defence Minister Manohar Parrikar would lay the foundation-stone on September 30 for the facility- 'Defence Systems Integration Complex,' which is being established by Navaratna Defence PSU, Bharat Electronics Limited (BEL). Chief Minister N. Chandrababu Naidu, Union Minister for Urban Development M. Venkaiah Naidu and other dignitaries will attend the event.

It will cater to the needs of missile and weapon systems manufacturing/ integration for the ongoing and upcoming missile programmes. It will have state-of-the-art infrastructure such as assembly hangars, hard stands for radars and weapons integration, RF radiation sources for target stimulation, automatic test equipment, clean rooms for electronic assembly, missile storage buildings and environmental test chambers, among others.

The supersonic, short range surface-to-air missile, Akash is being currently manufactured by BEL. It is the lead integrator of the Akash Missile System for IAF and supplies the radars, control centres, simulators, associated maintenance vehicles and integrated software.

While BEL's Bengaluru unit at present carries out missile manufacturing and integration activities and systems-level checks, the new facility is being set up to cater to the large requirements of futuristic surface-to-air missile systems, missiles and associated electronic sub-systems and components.

The proposed complex will be a world-class facility with automated guided vehicles and industrial robots for material movement and handling.

#### Ambitious plans

Various new missile programmes are proposed to be taken up by BEL in collaboration with DRDO and also as part of global tenders for Quick Response Surface-to-Air Missile (QR SAM), Long Range Surface-to-Air Missile (LR SAM), Medium Range Surface-to-Air Missile (MR SAM) and Low Level Quick Reaction Missile System.

Multiple groups of equipment have to be positioned at suitable spacing over a large area to simulate field conditions as the testing and integration of missile systems involves actual deployment of air surveillance, radars, fire control radars, control centres, missile launchers and other support systems to validate the detection, tracking command and communication link parameters.

The upcoming facility will cater to these requirements.

**Space tech awaiting smart city planners: ISRO chief**

Planners of smart city and rural projects across the country should tap useful data from remote-sensing and navigation satellites in a big way, Indian Space Research Organisation (ISRO) chairman A.S. Kiran Kumar said here on Friday.

Giving a spectrum of space-based possibilities to a technical gathering, Mr. Kiran Kumar said data from remote-sensing or Earth observation spacecraft can find ideal locations for many purposes: it could be solid waste management disposal sites, solar or wind energy sites or groundwater sources; or to predict dust storms from the Gulf.

ISRO was also spearheading a space-based information support system, which would help village panchayats document their assets and claim benefits under government schemes. There is a plan to make the use of GPS devices mandatory on trains, buses, cabs, and trucks. The Railways was looking at automatic warning systems at unmanned-level crossing and for paperless tickets in Mumbai suburban trains.

Weather satellites can also provide advance alert about Gulf dust storms hitting Gujarat or Maharashtra; predict rain and weather a couple of days before their onset.

“The potential of what has been developed is not made fully accessible because we are too tied-up with our main activity to translate many of them into industry-friendly activities. The scope is tremendous and we have initiated some of them,” Mr. Kiran Kumar said.

He was addressing a workshop on smart city mission and Make in India organised by the Institute of Electrical & Electronic Engineers Bangalore Section.

The GAGAN and the regional system of navigation satellites system that are being built in space, he said, would create a demand among lakhs of receivers for keeping tabs on cargo vehicles and other assets.

It would open up large-scale manufacturing opportunities for private industry.

About 500 people from the electronics industry, universities and students are taking part in the two-day workshop.

**ENVIRONMENT****Climate change on agenda for Obama meet**

Climate change will be a notable component of the agenda for the meeting between U.S. President Barack Obama and Prime Minister Narendra Modi on September 28, the U.S. administration has said.

The Obama administration has been pressing the Modi government to make more commitments to combat climate change and the Prime Minister’s six-day tour of the U.S. may give some signals about India’s position at the COP in Paris later this year.

“Notably, India will be critical to a successful global effort to combat climate change, so the two leaders will certainly address their shared vision of how to approach the upcoming meetings in Paris,” Deputy National Security Adviser Ben Rhodes said.

“We are deeply committed to strengthening the U.S.-Indian relationship, building our economic and commercial ties, advancing our political and security cooperation in Asia and around the world,” Mr. Rhodes said.

## **POLITY AND GOVERNANCE**

### **Govt. to build more bridges, roads in Naxal-affected States**

The National Democratic Alliance government is working on a plan to bring in seamless connectivity between the 10 Naxal-affected States by building bridges and roads. It plans to launch Road Requirement Plan (RRP)-II, on the lines of RRP-I initiated by the UPA government in 2009.

More than one lakh men of the Central police forces have been deployed in these States, and lack of inter-State connectivity has hampered their operations on many occasions.

While RRP-I focused on connectivity in the 35 districts affected by left-wing extremism, RRP-II will prioritise “critical bridges” connecting two or more States to ensure smooth movement of security forces. In effect, not only the 35 worst-affected districts but all 106 Naxal-affected districts are likely to be covered by the new project. RRP-I is still being implemented. According to the latest data available, 30 per cent of the 5,477-km roads to be built under the project are yet to be completed. After it came to power in May 2014, the NDA has added 777 km of roads till June this year.

“We are preparing a Cabinet note and will send it for approval soon. RRP-II will be for inter-State connectivity,” said a senior official of the Home Ministry. The Ministry has asked the States to submit their suggestions.

### **CAG orders a dengue audit for Delhi**

The Comptroller and Auditor General (CAG) on Friday ordered an audit of the preparedness of the Delhi government and local authorities to deal with dengue.

CAG Shashi Kant Sharma ordered the audit which, according to government officials, will scrutinise the preventive steps taken by the Delhi government and civic authorities -- New Delhi Municipal Corporation (NDMC) and the three Municipal Corporations of Delhi (MCDs) -- to deal with the vector-borne disease which has claimed 30 lives so far.

The audit comes at a time when allegations over delayed disbursement of funds to battle dengue against the Aam Aadmi Party-led Delhi government have reached the High Court. It is understood to have been triggered by reports of lack of preparedness and instances of patients being turned away from hospitals.

According to a letter received by Delhi Health Secretary Amar Nath from the CAG, the auditing body will also look into “adequacy of budget provisions and timely release of funds by the Centre/State governments”; and coordination between various agencies including reporting and monitoring mechanism”.

It will also focus on cleanliness, sanitation, fumigation, maintenance of drains and manholes at hospitals, besides ascertaining whether instructions given to private hospitals on treatment of poor patients were being followed.

### **Chennai Declaration seeks official status for all languages**

The Union government's purported plan to "resurrect Hindi in Tamil Nadu" has its resonance in parts of eastern India. A summit held in Chennai earlier this week to mark the 50th anniversary of the anti-Hindi agitation had participants from West Bengal and Odisha, among other States.

The summit committee has published the Chennai Declaration demanding recognition of all languages on Schedule 8 of the Constitution as "official languages". While 22 languages are in the Schedule, Hindi and English are considered the official languages.

Other demands of the Chennai-based pan-India organisation, Promote Linguistic Equality (PLE), coordinating the movement to promote regional languages, includes immediate inclusion of all languages for which "demands" were made by various language communities, but are not accepted by the Union government. The summit also sought an "urgent support to the ethnic, indigenous and other languages with fewer numbers of speakers" to save those from "extinction and assimilation".

The Chennai Summit took place a week after the Bhopal Hindi Conference and was described as a "massive success" by the organisers.

The PLE has connected people by social media and has been behind the #stophindiimposition that trended on Twitter during the Prime Minister's speech in Hindi during August 15 and #stophindiimperialism trend during the World Hindi Conference in Bhopal from September 10 to 12.

The representatives from Kolkata said they supported all the three demands of the Chennai Summit.

"Bengali, like Tamil, Kannada and all other non-Hindi Indic languages, has been relegated to second class status due to the Union Government's policies. Non-Hindi mother-tongue speakers are discriminated in every walk of life — from denial of essential public services to entry bars in government jobs. People have been struggling in their own spheres.

It is now that Bengalis have slowly started linking up with this protests that are brewing all over the non-Hindi regions of India, given the deeper push and imposition of Hindi under the current regime," said a signatory of Chennai Declaration, Professor Garga Chatterjee of Indian Statistical Institute in Kolkata.

PLE - West Bengal was created after the success of several India-wide social media campaigns. A language activist from Odisha, Saket Sahu, who attended the summit, said that besides providing a platform for the main languages of the States, the summit provided space to the mother-tongue movement as well, like his mother tongue, Kosali.

"In Odisha we have two major languages: Odia and Kosali. Both are almost having same numbers of speakers and same age. But Odia has been recognised as a classical language and Kosali is struggling to get included in the 8th Schedule. Chennai conference is a platform of likeminded and hope it understand the agony of Kosali language which is facing Odia imposition the way they are facing Hindi imposition," Mr Sahu said.

Interestingly, few of Assam's language groups in the Brahmaputra valley — who have many issues with the Bengali language-movement in the Barak Valley — have also launched a regional unit of PLE after the Chennai summit.

### **Sustainable future can't be won without tackling poverty: Modi**

Prime Minister Narendra Modi on Friday invoked Jana Sangh founder Pandit Deendayal Upadhyaya to argue that his ideal of antyodaya, or the uplift of the poorest, and the U.N. Sustainable Development Goals were similar.

Addressing a special summit of the U.N., Mr. Modi listed the Indian schemes of financial inclusion, education and skill development, direct benefits transfer, and pension schemes for the vulnerable among the initiatives that would promote sustainable development in India.

He said, "It is not just about fulfilling the needs of the poor and upholding their dignity, nor about assuming moral responsibility for this, but realising that the very goal of a sustainable future cannot be accomplished without addressing the problem of poverty."

Mr. Modi also introduced an idea of the "Blue Revolution," which he elaborated as a special effort to preserve the oceans and ensure the sustenance and prosperity of island nations, particularly the smaller ones that face the brunt of climate change. "We are committed to a sustainable path to prosperity; that is rooted in our culture," Mr. Modi said, adding that, "we need to change our lifestyles in order to reduce energy dependency and consequently the impact on environment."

## **INTERNATIONAL RELATIONS**

### **London's Ambedkar house is finally India's**

After a delay of around nine months and many moments of embarrassment, the BJP government in Maharashtra has finally acquired the London bungalow where B.R. Ambedkar lived as a student.

The 2,050-sq.ft, three-storey bungalow on King Henry Road, NW3, was bought at Rs. 31 crore.

An additional Rs. 3.5 crore was spent on procedural and legal matters, Dilip Kamble, Minister of State for Social Justice, told *The Hindu* on Friday. "The keys of the bungalow are in the possession of the Indian High Commissioner in London, M.P Singh. This is a great moment. We have fulfilled the wishes of the people," Mr. Kamble said.

The Devendra Fadnavis government plans to convert the bungalow into an international museum-cum-memorial. The architect of the Indian Constitution lived in the house while pursuing higher studies at the London School of Economics during 1921-22. The BJP government had hoped to acquire the bungalow and throw open the memorial to the public by April 14, his birth anniversary. But certain hiccups in the acquisition process put it under fire by Opposition parties, especially the Congress.

The renovation dates and logistics would be finalised after further discussions, Mr. Kamble said. The State had beaten other prospective buyers to secure the deal.

Former MP Prakash Ambedkar, grandson of Dr. Ambedkar, welcomed the move, but also expressed the hope that the government would consider converting the building into a “utility monument” for Indian students studying in the U.K. “Many Indian students find it difficult to find accommodation or hostels. The building can be used to house them, at least in the initial periods,” he said.

### **Tedious process**

The previous Congress government had initiated the matter with the British Deputy High Commission in Mumbai, but nothing could materialise during its rule. In January, after the BJP came to power, the party indicated its interest in the property and sought the Centre’s assistance. .

### **Chinese gift of Mansarovar water enriches Shahi Snan**

In a gift by the Chinese government, water from the Mansarovar Lake was poured into the Godavari river on the last Shahi Snan of Simhastha Kumbh Mela on Friday.

Chief Minister Devendra Fadnavis poured the water from a copper vessel. “Holy water diplomacy is an initiative by Observer Research Foundation (ORF) and People’s Republic of China.

The uniting of two waters will bring together two cultures and this historic moment has made Simhastha Kumbh 2015, a memorable one,” Mr. Fadnavis tweeted later. Chinese Embassy officials and Sudheendra Kulkarni of the ORF were present.

The gesture follows Mr. Fadnavis’s tour to China along with Prime Minister Narendra Modi in May. The Maharashtra government had showcased “Make in Maharashtra” in China, and invited investments from Chinese companies and banks.

The Bank of China plans to open a branch in Mumbai soon, and its delegation had met Mr. Fadnavis this week. At least five Chinese infrastructure companies have teamed up with Indian companies to bid for the 33.5-km Colaba-Bandra-SEEPZ Metro-III project costing Rs. 23,136 crore. Thousands of pilgrims participated in the Shahi Snan.

### **On Bakrid, India and Pakistan troops exchange sweets at LoC**

The Line of Control (LoC) and International Border, which have been witnessing exchange of gunfire for the last several months, on Friday saw the troops of the two countries exchanging sweets and pleasantries, thanks to the festival of Id-ul-adha. The Army personnel exchanged sweets at Chakan-Da-Bagh and Mendhar crossing points along the LoC in Poonch.

“Sweets and dry fruits were exchanged between Indian and Pakistani armies along the LoC at Chakan-Da-Bagh and Mendhar crossing points in Poonch district,” a Defence spokesman said.

“They exchanged greetings and pleasantries in a very cordial and friendly atmosphere,” he said.

**India-Pakistan dispute finds echo in U.S.**

India has dismissed as inconsequential two letters written by Pakistan to the U.N. saying India is avoiding bilateral engagement and unilaterally building a wall along the Line of Control in Jammu and Kashmir.

Pakistan's Permanent Representative to the U.N., Maleeha Lodhi, had written the letters earlier this month. External Affairs Ministry spokesperson Vikas Swarup told presspersons in New York on Friday that India was aware of the contents of the letters, and rejected the allegations saying there was nothing in them to respond to.

"The first letter written on September 4, states there was no bilateral dialogue. After that, the BSF and Pakistan Rangers have met. So the letter contradicted itself as there was a dialogue," Mr. Swarup said.

"The second letter about India building a wall is based on a submission made by Salahuddin [Hizbul Mujahideen chief Sayeed Salahuddin], who India considers a terrorist."

Alleging an attempt by India to convert the 197-km Line of Control between India and Pakistan "into a quasi-international border", Ms. Lodhi had written to Russian Ambassador Vitaly Churkin, President of the U.N. Security Council, saying India was constructing a 10-metre-high, 41-metre-wide wall along it.

Mr. Swarup said that there was nothing that India needed to do about the letters. "Has anyone taken cognisance of these letters? Has the U.N. said anything on them? If no action is taken by the U.N., that itself shows that nobody has taken cognisance."

**'India is another major emitter'**

U.S. President Barack Obama's meeting Prime Minister Narendra Modi on September 28 will be important as it will cover climate change, the U.S. administration said.

"The President's meeting with Prime Minister Modi will be very important because India, of course, is also another major economy-major emitter and we'll want to continue the discussions that we had in India about what Prime Minister Modi is prepared to do to support successful international action against climate change," Deputy National Security Adviser Ben Rhodes said.

External Affairs Ministry spokesperson Vikas Swarup said it was not appropriate to pre-empt the discussion before the two leaders met. "When the two leaders meet, they may choose to discuss many things," he said, without specifically responding to Mr. Rhodes' statement.

**U.S. moots 'Sri Lankan judicial mechanism' with foreign judges**

A draft resolution, submitted by four countries, including the U.S. and the U.K., in the United Nations Human Rights Council (UNHRC) has mooted the participation of Commonwealth and other foreign judges in "a Sri Lankan judicial mechanism" to probe allegations of war crimes and violations of international humanitarian law.

Sri Lanka has co-sponsored the resolution. The proposed mechanism includes the Special Counsel's office, according to the draft, which has been hosted on the extranet of the UNHRC.

The text of an old draft had called upon the Sri Lankan government “to involve international investigators, prosecutors and judges in Sri Lanka’s justice processes”.

Jehan Perera, executive director of the National Peace Council and a law alumnus of the Harvard University, says the earlier version on the nature of judicial mechanism was ambiguous whereas the revised text is more specific and it reiterates the government’s position, which is for a domestic mechanism. Dr. Perera says the role of the foreign judges is likely to be more in the form of advisory as otherwise there will have to be amendments to the existing laws.

Another significant feature of the resolution is that “the reputation of those, including within the military, who conducted themselves in an appropriate manner with honour and professionalism” would be safeguarded even as a “credible accountability process” will be in place for “those most responsible for violations and abuses”. The document also talks of “the need for a process of accountability and reconciliation for violations and abuses committed by the Liberation Tigers of Tamil Eelam”.

Reacting to the tabling of the resolution, Prime Minister Ranil Wickremesinghe has said that “following extensive negotiations, the government has managed to include several clauses in the document recognising the progress made on reconciliation since January 2015”. He added that the government had agreed to implement a political solution to the island’s ethnic problem and bring the necessary constitutional measures.

The Tamil National Alliance (TNA), in a statement, described the suggestion of involving the foreign and Commonwealth jurists as a “significant victory for justice”.

It added “the draft provides a constructive starting point for what will inevitably be a long road to reconciliation.”

### **Our march in step with U.N. vision: Modi**

Presenting his government’s domestic development agenda as completely in alignment with the Sustainable Development Goals (SDGs), Prime Minister Narendra Modi told a special summit of the U.N. on Friday that he came from a tradition that considered the entire world as one and the earth as our mother.

Reiterating the Indian position on climate change, the Prime Minister emphasised the concept of “common but differentiated responsibility,” which is part of the UN Framework Convention on Climate Change.

### **18-minute address**

In his 18-minute speech, Mr. Modi outlined the various development targets that his government has set, and how special measures were being taken to ensure that they were environmentally sustainable.

“The SDG mirrors India’s developmental goals,” the Prime Minister said. According to him, whenever nations have been united in dealing with a crisis, they have been successful.

“Seventy years ago, the U.N. offered a new hope for humanity. Today, the time has come for us to seek a new direction,” he said, calling for reforms in the U.N.

“The U.N. Security Council needs to be made more broad based in order for it to have higher credibility.”

Pointing out that removing poverty is the biggest challenge before the world, the Prime Minister said it was the collective responsibility of all to work towards a “world that is peaceful, a system that is just and development that is sustainable.”

## **BUSINESS/ECONOMY**

### **Signals point to better economic activity: CEA**

Chief Economic Adviser Arvind Subramanian said in a wide-ranging interview to *The Hindu* that the economy is sending mixed signals.

“The signals are unambiguously pointing to an improvement in economic activity. But on the pace, we do get mixed signals. For example, indirect tax revenue numbers are doing very well, direct tax revenue numbers are not doing so well. Real credit growth numbers are actually doing better than people think. Stalled projects have also come down, but at the same time exports are in negative territory. Private investment is still challenged. So, in that sense, therefore, the economy is still well below potential and that’s the sense in which you can completely logically say that even though it’s recovering and full of potential, therefore it needs monetary policy support since we are not going to aggravate inflationary pressures.”

Dr. Subramanian said China was experiencing a temporary wobble and it would regain its footing, but at 5-7 per cent growth levels.

“If that is the medium term forecast for China, then it throws up more challenges and opportunities for India. If China grows rapidly, it is good for the world and for India. If China slows down, it will throw up challenges.”

### **At business end of visit, India story finds its narrative**

Upbeat after a meeting with Prime Minister Narendra Modi in New York on Thursday, 42 CEOs of Fortune 500 companies with a combined net worth of \$4.5 trillion expressed happiness and satisfaction at the changes being spearheaded by the government. This was stated on Friday by officials who participated in the interaction.

“They felt that the initiatives being taken by the government were inaccurately assessed and reported, and appreciated the trend and direction in India,” said Indian Ambassador to the U.S. Arun K. Singh.

“They were already convinced about the India story and most are already invested in India. Most of them will be looking at more investments in the country,” he said.

“Everyone was happy with the changes in India. Their only demand was that the changes be faster,” Vikas Swarup, External Affairs Ministry spokesperson, said. Mr. Swarup added that Mr. Modi assured the CEOs that the government believed in promoting the private sector, and was creating a “predictable and transparent governance structure”.

Several CEOs that *The Hindu* spoke to after the interaction echoed the same sentiments. Andrew Liveris, chairman and chief executive officer of the Dow Chemical Company, said Mr. Modi “came across as practical, and demonstrating the experience of running a state for

several years”.

On demands made by the participants, he said: “We will want many changes not only in India but also here in the U.S. and in the entire world. But the general sense is that the government of India is taking earnest measures to improve the ease of doing business.” Arne Sorenson, CEO of Marriott International Inc, said: “The direction of changes in India was encouraging, but the changes could be faster.”

Mr. Modi told media leaders that “digital technology can help in innovation, empowerment and democratisation”.

Mr. Swarup said there was no discussion on altering the FDI caps in the new media industry in India at the meeting, organised by NewsCorp headed by the Murdoch family. Father Rupert and son James Murdoch were at the meeting and so were heads of Sony, Discovery, Time Warner, A&E, VICE Media.

“Mr. James Murdoch pointed out that about 40 per cent of the world’s entertainment industry was present.”

“The only demand that they made was to speed up the roll-out of 4G technology that would enable the expansion of their business,” Mr. Swarup said.

### **Economy sending mixed signals: CEA**

Chief Economic Advisor Arvind Subramanian fielded questions on reforms, growth, his warning of deflation, and China, from The Hindu. Edited excerpts:

### **You'd said India's closer to deflationary territory but at the same time you maintain India's GDP growth this year will be 8 per cent plus. Are the two trends consistent?**

When I mentioned it, I said price-wise we are close to deflation. Now, there is no accepted word for negative inflation and disinflation is too complicated a word. So whereas I meant deflation to connote rapidly decelerating inflationary pressures, it was interpreted as an indication about economic activity which it was not meant to be.

In a sense, there are at least two manifestations of the deflation I am talking about. One is agriculture. Prices are down. Apart from onion prices, of course, and one or two commodities, in agriculture we do see depressed incomes because prices are down and the monsoon is what it is. The second thing is that when nominal GDP starts decelerating as it has, it has implications for the fiscal as well. So, that’s another manifestation of deflation.

But now we come to your question about how do you reconcile growth with this. The projection that we had in the Economic Survey was based on four factors.

One was oil prices coming down sharply, second the cumulative effect of reforms, three was the monsoon and at that stage the monsoon was predicted to be good... and fourth what I said in the Survey was that as inflation comes down, the monetary situation will ease. That 8 per cent is conditional on what we expected about monetary policy. So, one could argue that if monetary policy deviates from expectations, our growth projections have to be correspondingly different.

The second point is that the economy is sending mixed signals. The signals are unambiguously pointing to an improvement in economic activity. But on the pace, we do get mixed signals. For example, indirect tax revenue numbers are doing very well, direct tax revenue numbers are not doing so well. Real credit growth numbers are actually doing better than people think. Stalled projects have also come down, but at the same time exports are in negative territory. Private investment is still challenged. So, in that sense, therefore, the economy is still well below potential and that's the sense in which you can completely logically say that even though it's recovering and full of potential, therefore it needs monetary policy support since we are not going to aggravate inflationary pressures.

### **What economic policy strategy does India need to deliver on PM Modi's promise of creating 100 million jobs?**

The 8-10 per cent growth target is a necessary condition for generating all these jobs. And also remember that the view in the Economic Survey was, and I stand by it, that because we are a complicated democracy and not in crisis, the appropriate yardstick for measuring performance is whether we are seeing a "persistent, creative and encompassing incrementalism." That's something we must recognise. Much as we may wish things get done quicker, this is the reality.

### **Can India get back to 8 per cent-plus growth within the term of this Government?**

Oh, yes, that should hopefully be possible earlier than 5 years. What are the bottlenecks? The balance sheet of firms, that's why clearing the stalled projects is important. Discoms are a big problem. The government is going to treat those with urgency. The tax issues have led to a lot of uncertainty and bad blood. Addressing that will be a great start. GST of course is another very important reform, an area where all of us are disappointed it couldn't have been done faster. But it can hopefully get done soon and that should help in kick-starting public investment. For banking balance sheets, we have started on the whole recapitalisation thing.

### **Without sorting out the issues surrounding labour, land and capital can India really hope for double-digit growth?**

Each one has his or her list of priorities of what is important. Some will say labour laws, some will say land, some will say GST, and some will say ease of doing business. I can't honestly and in good conscience say I know what is more important than the other. We have to do a lot of what is on this list. And then the challenges are, one, how fast we do it, what are the political constraints, and two, do you do it at the Centre, or do you let the states do it? One of the striking differences between China and India is that China has had convergence within the country. Poorer regions have been growing faster than the richer regions. In India, even now, 30 years after our growth took off in the late 70s to early 80s, we don't see convergence across regions in per capita GDP growth. And it also struck me that possibly one reason could be that we don't have enough labour mobility within the country.

People don't want to move to Bombay because the higher salaries don't compensate for the rental costs and the quality of life.

So maybe employment creation has as much to do with rental markets. The other thought that struck me is that to the extent that you have social constraints, what it means is that the expected differential has to be that much greater to offset the greater rentals and social cost of mobility.

In that sense, China being much more homogenous, the expected differential has to be less than in India because you don't have the social cost so that's why we need more rapid growth and need to address the urbanisation constraints. The returns have to be much higher to compensate for these high social costs.

Regarding land laws, the decision to let the states take the lead on this is a very good one. States are in a better position to address some of these issues. Similarly, labour laws being done by the states, as Rajasthan has shown, is a good way of doing reforms.

### **What is the state of the Chinese economy? And, what does it imply for the world and for India?**

What is going on China is really important but we don't know fully how it is going to pan out. There are at least three defensible views. One view is that there is over-hype about manufacturing declining. If you look at the services indicators, which is now a much more important part of the economy...

#### **50 per cent...**

Yeah, exactly, and that's not doing badly so it is over-hype.

The second view is that there is something going on but it is a temporary wobble and that the authorities maybe lost control to some extent but they will regain it and things will be back on track. The third view, which is probably a low-probability view but not something that can be ruled out, is that actually the interaction between economics and politics could generate something that is much more serious. I veer towards the second view that it is a temporary wobble and that China will regain its footing but it will regain its footing at 5-7 per cent growth. Not 10.5 per cent.

If that is the medium term forecast for China, then it throws up more challenges and opportunities for India. If China grows rapidly, it is good for the world and for India. If China slows down, it will throw up challenges.

China is slowing down by moving away from manufacturing to services so the net effect is that we are in for relatively soft oil prices, which gives us a cushion. It will allow us to maintain that macro stability which is so important for the launch to 8-10 per cent growth going forward. In some ways, you can think of this as a positive supply shock for infrastructure in the sense that prices are down for all the things that go into building infrastructure.

## **EDITORIALS**

### **Making friends, influencing Nepal**

Last Sunday, on September 20, Nepal promulgated its new Constitution. However, instead of being an occasion for celebration in which all Nepali citizens could participate, there is a tinge of triumphalism on one side and, on the other, a growing agitation masking a sentiment of betrayal. More than one-tenth of the Constituent Assembly (CA) members boycotted the final proceedings. And, as often happens when Nepal's domestic politics is polarised and descends into a slugfest, Indian policies have become a convenient punching bag and Nepali nationalism reduces to anti-Indianism.

The current exercise kicked off in 2008 with the election of a Constituent Assembly (CA) with a two-year mandate to draft a new Constitution for a federal, democratic and republican Nepal. Even after the CA awarded itself four extensions, the task remained unfinished. The Supreme Court intervened to put an end to the repeated extensions in 2012 and, after a year, a new CA was elected in November 2013 for a four-year term though it gave itself a deadline of January 2015 to complete the Constitution which too was not observed.

The tragic earthquake in April, which claimed 9,000 lives and caused widespread damage estimated at \$7 billion, became a wake-up call for the political leadership and the government, which had come in for all-round criticism for its inept crisis management. This galvanised the main political parties — the Nepali Congress (NC), the Communist Party of Nepal (Unified Marxist-Leninist) [CPN(UML)] and the Unified Communist Party of Nepal-Maoist [UCPN-Maoist) led by Prachanda — to push through a Constitution, by a two-thirds majority, if consensus was not possible. A 16-point agreement covering some of the major issues was announced in June.

### **Differences over federalism**

At this point, the big three parties had the benefit of having Bijay Gachedar, leader of a Madhesi-Tharu party, on board as a signatory. This agreement foresaw the creation of eight provinces, with boundaries to be determined by an expert committee within six months. However, it was shot down by a Supreme Court single-judge bench on the grounds that the CA was responsible for defining the federal structure and this could not be delegated.

The big three then came out with a six-province proposal. Mr. Gachedar dissociated himself from it and as protests mounted, the three hurriedly made it a seven-province federal structure. Agitations turned increasingly violent in the Terai region and have claimed more than 40 casualties in the last month.

Though a small country, Nepal has more than a hundred ethnic groups. However, it has always been ruled by the Bahun-Chettri (Brahmin-Kshatriya) hill elite which, together with other hill upper castes, accounts for less than 30 per cent of the population. The leadership of the three major political parties, as well as that of the smaller pro-monarchy groups, belongs to this group. On the other hand, the Janajatis (hill tribes), Tharus (plains tribes), Dalits and Madhesis have traditionally been the oppressed groups.

Till 1950, a Madhesi needed a special permit to enter Kathmandu valley and citizenship was a major issue, which was finally addressed in the 1990s, with over three million citizenship certificates issued, though some concerns remained. These groups had periodically agitated for greater representation in power-sharing but always within the unitary framework of the monarchical system. When the decade-long Maoist insurgency ended in 2006, new demands grew for the abolition of monarchy and for a federal republic. NC and UML were always lukewarm to the idea and the federalism banner was largely carried forward by the Maoists (Janajatis were part of their cadres) and the Madhesis.

Madhesis have a kinship with their counterparts across the open border in India, particularly in northern Bihar and Uttar Pradesh (UP), often described as *roti beti ka rishta* (sharing food and matrimonial ties). During the Panchayat era, the 1963 administrative restructuring raised the number of districts from 32 to 75. In the bargain, Terai districts, which were earlier geographically restricted to the plains, now included areas north of the Siwalik Hills. Pahadi population in the Terai consequently went up from 6 per cent in 1952 to 36 per cent in 2001.

Today, out of the 20 Terai districts bordering India, Madhesis enjoy a majority in less than half. Indian political leadership has been sensitive to their circumstances and has taken up their cause with the Kathmandu rulers. This has worked sometimes but has often also created tensions in the bilateral relationship which have demanded sensitive handling.

When the Constitution-drafting exercise began in 2008, the CA's first decision was to abolish the 250-year-old monarchy while laying down principles for creating a democratic, secular, federal republic, often called a new Nepal. Over these years, Maoist and Madhesi forces have weakened. A section of the Maoist leadership was co-opted into the system and Prachanda is today rumoured to be a billionaire in dollar terms.

While the Maoists had emerged as the single-largest party in 2008 with 240 seats and the three Madhesi parties accounted for 84 seats, the outcome in 2013 elections turned out very differently. Maoists were down to 80 seats and the Madhesi parties which had splintered from three into a dozen, could only manage 40 seats. On the other hand, among the two old parties, NC moved up from 115 seats in 2008 to 196 and the UML from 108 to 175 seats, together accounting for nearly two-thirds of the CA (strength is 601) in 2013. Maoists lost ground because of rumours of corruption, poor governance and factionalism; Madhesis because of ego clashes, caste differences among Brahmins, Thakurs, Yadavs and Kurmis, and political fracturing which weakened the Madhes movement.

Differences over delineation of the provinces were narrowed down to five districts on the India-Nepal border — Jhapa, Morang and Sunsari in the east and Kanchanpur and Kailali in the west. Other contentious issues pertained to the delineation of electoral constituencies; inclusion in state structures on basis of 'proportionality'; and the two categories of citizenship, by descent and by naturalisation — applicable to the foreign spouse of a Nepali national, a key Madhesi concern — and the debarring of the latter from certain government positions.

Some of these were not too difficult to settle but unfortunately, there was no serious effort to reach out and open a dialogue. None of the leaders of the big three parties and their Madhesi MPs took the initiative of going to the restive districts. Instead, all eyes were fixed on the sharing of spoils, for within the next few weeks, Nepal will get a new President, Vice-President, Prime Minister, Speaker and Cabinet. Some deals have been struck, with K.P. Oli (UML) emerging as the likely next PM. Other contenders are in the fray for different positions but this jockeying too is limited to those belonging to the Bahun-Chettri elite.

### **India's failed moves**

To be fair, Indian policy on this issue has been consistent. In November 2014, when Prime Minister Narendra Modi was in Kathmandu for the SAARC summit, it was clear that positions were hardening. PM Modi had said in a media interaction that outstanding differences should be resolved through dialogue and widespread consultation so that it could create the basis of a united, peaceful, stable and prosperous Nepal. A section of the Nepali media had reacted adversely terming it 'unwarranted advice'. This was a sign of the changing winds and certainly, after Bijay Gachadar backed away from the 16-point agreement in June, the writing was clear on the wall.

Foreign Secretary S. Jaishankar's visit to Kathmandu last week, after the CA had completed formal voting on the Constitution, was too late and could hardly have been expected to yield a favourable outcome. Instead, it has been a spur to Nepali nationalism which, more often

than not, carries strains of anti-Indianism. Official Indian statements ‘noting’ the promulgation of the new Constitution and expressing ‘deep concern’ over the incidents of violence are unlikely to fall on receptive ears and are at variance with the ‘welcoming’ statements from other major capitals. Kathmandu is abuzz with rumours that India is miffed and might resort to strong-arm tactics as in 1989-90, fuelling further anti-Indian sentiment.

Any policy, however consistent and well-crafted, yields results only if implemented properly. The time to use Indian influence by working with our friends was during the first half of the year. What was needed was to sensitise the leaders of the ‘big three’ parties to the risks of brinkmanship and get the agitating groups to unify so that a coherent stand could emerge. Instead, we played host to an assortment of Nepali leaders who would tell us what we wanted to hear, while going back to Kathmandu and doing precisely what they wanted to do.

For too long, this has been the tricky part of India-Nepal relations. With too many interlocutors, India’s message often loses clarity and impact. While the long-term objective should be to address the changing political narrative in Nepal, our present challenge is to recover lost political ground so that we can play the role of the trusted and irreplaceable interlocutor between the two sides, but without resorting to micro-management. Since 1950, Nepal has experimented with various Constitutions. It has had two interim Constitutions (1951 and 2007) and three formal Constitutions (1959, 1962 and 1990). Many thoughtful Nepalis realise that the 2015 Constitution is not perfect but if it has to stand the test of time, all sides have to climb down from their stated positions. However, the first move has to come from the leadership of the three major parties, the NC, the CPN (UML) and UCPN (Maoist). ( Rakesh Sood, the Prime Minister’s Special Envoy for Disarmament and Non-Proliferation till May 2014, is a former Ambassador to Nepal .

### **When India found a leader, but lost a statesman**

Reading through the archives of The Hindu from September 23, 1965, you get a sense of the relief and euphoria of a nation, now united around a leader who braved immense criticism and led from the front in its time of crises. An excerpt reads: “Tributes to Shastri’s leadership: The Prime Minister’s announcement in Parliament today of a cease-fire in the fighting between India and Pakistan had an electrifying effect on the Members of Parliament and on the people.(...) (...) Members belonging to all political parties (...) praised the PM for the firm, determined and able manner in which he handled the worsening India-Pakistan relations, which finally erupted in an undeclared war.”

It is interesting then that narratives often understate the tragically short-lived Prime Minister Lal Bahadur Shastri’s significant contribution to the handling of the 1965 conflict. It is ironic that he’s often accused of “losing the war on the diplomatic table at Tashkent” or remembered for the intrigue surrounding his death. Apart from political appropriation, very little ink seems to have been spent on examining his diplomatic and political acumen which made India stronger domestically and helped regain its international stature post the 1965 crises.

### **Quiet strength**

Shastri’s mandate was not an easy one. There was a fractured consensus within the Congress party around his ability to lead the nation after Pandit Jawaharlal Nehru’s demise. India was demoralised after the 1962 defeat and battling an acute food crisis. Pakistan’s adventurism in 1965, historians argue, wanted to take advantage of this alleged “weakness in leadership”.

In hindsight, Shastri's handling of the war has many lessons for contemporary leaders. His biographer C.P. Srivastava, in "A Life of Truth in Politics", recalls that Shastri's slight build was often mistaken for a lack of ability, but really concealed a very sharp mind.

This plays out from the first meeting between Prime Minister Shastri and Pakistani President Ayub Khan, says former ambassador M. K. Rasgotra, who was a war book officer at that time. The former diplomat recalled a conversation between Gen. Khan and his Foreign Minister Z.A. Bhutto soon after meeting Shastri in Karachi in October 1964. Gen. Khan had reportedly remarked, "This little man. What will I speak to him?" This was "a total miscalculation as time would prove," Mr. Rasgotra says. Shastri's observations, however, were quite astute. He assessed Khan as practical, but described Bhutto as "someone who could throw the spanner in the works for Indo-Pak relations," records his biographer. A prophetic observation given how 1965 played out.

### **Firm stand**

Contrary to expectations, Shastri had responded to Pakistani provocations on the border through speeches in Parliament from the very beginning, making India's red lines clear, says Srivastava. He was determined to convince President Khan that 'India had no desire whatsoever to acquire even one square inch of Pakistani territory [...] [but] would never allow any interference by Pakistan in Kashmir which was an integral part of India.'

During the Rann of Kutch incident, a probing exercise by the Pakistani forces in early 1965, Shastri withstood immense pressure from the opposition to resolving the issue through an international tribunal. Having agreed to the ceasefire, his government survived a no-confidence motion to defend the decision of arbitration. Very few knew, reveals Srivastava, that Army Chief J.N. Chaudhuri and Air Chief Marshal Arjan Singh were against escalating the conflict, as the terrain was unsuitable for large-scale operations by India.

Politically, arbitration was seen as capitulation and many demanded its rollback. Shastri stood his ground, arguing India would not be a 'irresponsible nation', reneging on an "international commitment", records Srivastava — a stance that would later bolster India's position in the UNSC ceasefire dialogues.

Shastri's ability to lead and carry the nation in the face of surprise attacks was exemplified during the failed attempt by Pakistan to stir an uprising in Kashmir in August 1965. Shastri responded with a clear policy response: India would not approach the UNSC and defend its territorial integrity; no interference from Pakistan would be tolerated; contingency plans — especially vis a vis China — would be prepared; and the nation would be kept abreast of all government decisions. He articulated this in a public address on August 13, 1965, which assured the nation that 'force will be met with force'. There was no room for speculation.

Indian forces had to capture the Haji Pir Pass and the Kishen Ganga bulge, the two supply routes for infiltration into the valley to thwart the attacks. This operation required crossing the Cease Fire Line. In another bold first for India, the forces were assured of the firm backing of the Prime Minister and told the government would handle the consequences, records Srivastava.

The boldest decision came in September 1965, when Pakistani Patton tanks rolled into Chambh in J&K, aiming to capture Amritsar and more. When advised that to defend Kashmir, a diversionary attack in West Pakistan was needed to push enemy forces on the

defensive, Shastri's iron will came into play.

Srivastava, then joint secretary to the Prime Minister, recalls Shastri pacing up and down in his office on September 1, 1965. He says "All I heard him say was: ab toh kuch karna hi hoga (now something has to be done)". He then convened an emergency cabinet meet "to carry his colleagues with him in his decision" and prepare for repercussions to India's stand. On September 3, Shastri asked the Indian forces to march to Lahore, the first time that India would take the battle to the invader's territory.

Through all of this, Shastri had ensured India's able representation in the UNSC and convinced the big powers of India's response as proportionate to Pakistani aggression, was briefed constantly by military commanders, consulted the opposition, and even organised regular press briefings to inform the people and instil confidence in the leadership.

Even his much-criticised decision to "return Haji Pir pass" during the Tashkent Conference, it is argued, was not done under pressure. His biography reveals that Shastri knew international opinion would shift if India refused, as it was a pre-requisite to the UNSC ceasefire resolution.

He was also aware that giving up Haji Pir would invite scathing accusations of betrayal domestically. Before Tashkent, records Srivastava, the military chiefs had told Shastri that while they would not want to vacate, "it could not come at the cost of peace in the subcontinent". Perhaps Prime Minister Shastri became the fall guy to circumstance.

1965 clearly has lessons for conduct of government and diplomacy for the present day establishment. We both found a leader and lost a statesman, perhaps a little too soon.

(Shruti Pandalai is a former journalist and research scholar with the Institute for Defence Studies and Analyses, New Delhi.)

### **Portents of radicalisation**

What runs common between a middle class Indian mother of three and a Delhi college student, as also an obscure religious group based in a Goan village and a militant group in the northeast? They are all manifestations of a renewed radicalisation that is gripping major religions, as old divides come to life and new gashes open. Afsha Jabeen, who was deported to India for her evangelisation efforts, and some youngsters from Kerala who were sent back by the UAE for sharing radical posts on social media, do not represent isolated instances of a new acceptance that Islamist fundamentalism has found among many Indians. There have been reports of several Indian youth joining Islamic State, and more wanting to do so. The latest is the case of a young woman from the national capital, a Delhi University graduate and daughter of a retired Army officer, who wanted to join the ranks of the regressive, violent movement in Syria that is behind one of the biggest humanitarian catastrophes of our times. These could still be cited as isolated instances for now, but they could well turn into a tide. India's experience with radical religious tendencies is still far better than that of many other countries that have seen hundreds of youngsters leaving modern comforts and heading for the 'battle-front'. What Indian society at large should worry about is also that the fundamentalism is not limited to Islam. Obscure groups such as Sanatan Sanstha are trying to impose their irrational arguments, often through violent means, infringing upon the fundamental rights and seeking to subdue India's celebrated diversity. In the northeast and in Kashmir too fanaticism is finding new life and vigour, its ripples felt beyond immediate

geographical boundaries.

The signals are clear: religious radicalisation is not a distant threat anymore but a reality closer home. Forces of obscurantism are feeding on global and local discontent to create narratives that appeal to even those brought up on a liberal education. Religious fanaticism has found new vigour not just in the clash of civilisations being played out across continents, but also in the dangerous political atmosphere created by some mainstream parties domestically. The vigour of movements in one religion feeds similar ones in others. Their misleading messages find roaring life on the information highway. As governments, political leaders, and society at large reap the benefits of globalisation, they cannot ignore its dark underbelly where obscurantist ideas flourish. One of the fallouts of the information revolution propelled by the Internet is that messages of fanaticism could also spread like wildfire, and governments could be overwhelmed by their power. India needs to wake up to this threat.

### **A case for decorum**

The confrontation between the Bench and a section of advocates in the Madras High Court is adversely affecting the image of the legal fraternity in Tamil Nadu. It is not the first time that unsavoury events are eroding the dignity and prestige associated with the black robe. There is a growing public perception that a belligerent section of the lawyer community is responsible for this. Another view is that lawyers want to raise accountability issues against judges through such protests. More than the occasional issues involved — not all of them related to the legal profession — these perceptions have created the current atmosphere of mistrust between the Bench and the Bar. Disruption of work, protests and slogan-shouting within High Court compounds constitute one form of indecorous behaviour. Other forms that have been on display include organising advocates on caste lines and forming support groups for individual judges, making grave allegations of misconduct and corruption against the judiciary, and creating an atmosphere of fear. The latest standoff arose from an unusual cause that advocates in Madurai took up: against an order directing the Tamil Nadu government to strictly enforce the rule that makes the wearing of helmets mandatory for two-wheeler riders. Other matters of discord too arose: allegations against some judges, followed by initiation of *suo motu* contempt proceedings against two office-bearers of the Madurai Bar Association.

Some lawyers took up a new cause: the use of Tamil as the language of the Madras High Court. There was a day-long sit-in inside a court hall, something that drew a vehement rebuke from the Chief Justice of India. The police also found themselves at the receiving end of adverse comments by judges for inadequate action to prevent such protests. The court now wants the Central Industrial Security Force to be in charge of security on the premises. The State government has declared the High Court premises in Chennai and Madurai as high-security zones but does not favour any Central agency handling the security tasks. The situation bodes ill for the litigants' interests: they may not only lose court time because of various protests, but their access to the premises may also be curtailed. It is time for the State government to work out a foolproof security arrangement that does not affect public access to the courts, but at the same time ensures smooth judicial functioning. The Bar should close ranks and seek to address the judges' concerns. Contempt proceedings and suspension of some protagonists from their Bar Council membership do constitute a legitimate response, but what is more important is the restoration of an atmosphere of amity. The dignity and reputation of the legal profession are at stake.

### **Constitutional error**

Nepalese people gather to celebrate the adoption of the country's new constitution, outside the constituent assembly hall in Kathmandu, Nepal, Sunday, Sept. 20, 2015. (Source: AP photo)

When Nepal was struck by a major earthquake in April this year, there was hope that the scale of the disaster and the urgent task of rehabilitation and reconstruction would persuade its squabbling political parties to reach an early consensus on the long-stalled process of finalising and adopting a new constitution. Impatience among its people and frustration within the international community had sharpened in the aftermath of the earthquake. However, instead of making a genuine effort to forge a broadbased consensus, the major political parties, representing the old high-caste-and-hill elite, saw this as an opportunity to push a flawed constitution through the Constituent Assembly, even reversing some of the already settled features of the interim constitution of 2007 and the 16-point agreement reached among the parties, including the Madhesi Janadhikar Forum on June 9 this year. The Communist Party of Nepal-Maoist, which had all along espoused an inclusive political and social agenda as well as a federal structure that would reflect Nepal's ethnic, linguistic and cultural diversity, did a neat about-turn. A deeply entrenched and feudal mindset trumped egalitarian ideology. This is now sought to be hidden behind abusive anti-Indian rhetoric. It should have come as no surprise that the blatantly discriminatory features of the constitution should spark widespread opposition and protest. The often brutal and repressive measures visited upon hapless demonstrators have already resulted in over 40 deaths. A vicious cycle of confrontation and violence appears to be taking hold. Instead of dealing with this dangerous situation through an early and sincere dialogue with its own aggrieved citizens, the Nepal government and some of its political leaders are again indulging in ultra-nationalist and anti-India rhetoric, alienating the one friend and well-wisher they have, and one that only recently extended much-needed relief to the people of Nepal who were ravaged by the earthquake.

Nepal's polity has failed to keep pace with the multiple and far-reaching transitions that have been taking place in the country over the past two decades and more. One, despite the efforts of its traditional hill-based elite, the democratisation process that commenced in the early 1990s and is still ongoing has spread political awareness and led to the assertion of identities and aspirations of the many ethnic and culturally diverse groups that comprise Nepal. The monochromal hill identity imposed upon its diverse people and upheld by a feudal monarchy could no longer be sustained in the more plural politics that is the reality of contemporary Nepal. The acceptance of the principle of federation was an acknowledgement of this plurality, but the new constitution has robbed it of its substance. As long as almost half the country's population feels it has been shortchanged and subjected to institutionalised discrimination, political stability will continue to elude Nepal.

Two, there is a generational transition in Nepal that the country's politics continues to neglect. Nepal has a demographic profile that is even younger than India's. More than 50 per cent of its population is below 25 years of age. There is also a high net migrant rate of 61 per 1,000 of the population, reflecting the limited job opportunities available in the country. It is estimated that six to eight million Nepali nationals live and work in cities across India alone. Unlike in the past, the new generation of Nepalis are literate, have been exposed to external influences and, like India's own youth, are aspirational and forward-looking. This includes bright young women who continue to chafe under the feudal patriarchal attitudes that still define the political elite. Consider the provisions relating to citizenship in the constitution:

Children of a Nepali male marrying a foreigner will enjoy citizenship rights, but not those of a Nepali woman marrying a foreigner. The constitution perpetuates old prejudices and mindsets, instead of helping to create a political and social environment able to generate the opportunities its younger generation deserves. It is this generation that can transform Nepal's prospects and make it one of South Asia's most affluent countries.

Three, there is a significant change in Nepal's external environment that its political dispensation has failed to leverage to the country's advantage. Nepal, until recently, was a relatively isolated country, its high mountains to the north and thick forests to the south engendering a sense of mistrust, even hostility, to outsiders. Prithvi Narayan Shah, the famous king who united Nepal, is reputed to have described his country as a "yam between two rocks", the two rocks being India and China. That sense of vulnerability, and of being under siege, still drives much of Nepal's political behaviour. But Nepal's proximity to the two fastest-growing and continental-size economies of the world should be seen as an asset few developing countries enjoy. India, in particular, represents a huge opportunity, rather than a threat, should its leaders begin to see their southern neighbour in a different light. One frequently hears how Nepal has suffered from having an open border with India, but whenever movement across this border has been disrupted, as one hears is becoming the case again due to violence in the Terai, it is the people of Nepal who suffer. It is the open border that allowed a large number of Nepali citizens to escape violence and economic deprivation during the decade of Maoist insurgency and seek shelter in India. The tourism and hotel industries in Nepal benefit from the several thousand Indians who travel there for leisure or pilgrimage. This dense network of relations between the two countries does not square with the yam complex, which still colours our neighbour's perception of India.

India is right to be concerned about the spillover effect of political instability and violence across the border in Nepal. But the current crisis also exposes a continuing weakness in India's neighbourhood policy: An attention deficit that is only episodically shaken when a crisis erupts. It also appears that there may have been mixed political messages conveyed to the Nepali side, which may have underestimated India's reaction. Both these aspects need to be addressed in order to avoid similar crises in the future.

The writer, a former foreign secretary, was India's ambassador to Nepal, 2002-04.

### **That Elusive Seat**

It will perhaps be wrong to say that nothing has moved. But going by the rude reality on the ground, those who believe that the UN General Assembly's move is a road map to an early consensus are being utterly unrealistic. (Source: Reuters)

For a long time, this country has been striving to secure a permanent seat around the horseshoe table in the Security Council chamber at the United Nations at Turtle Bay in New York, but so far without any success. No fair-minded individual or country can question the legitimacy of the Indian demand, given the enormous changes since the foundation of the UN in 1945 in the aftermath of World War II, when its total membership was barely a fraction of today's 193.

Only the five victors of that war remain even now the veto-wielding members of the Security Council responsible for maintaining world peace and order. Others are elected regionally for a two-year period. The council consists of only 15 members. Although India is a founder-member of the UN, it was then still under British rule and economically poor. Today, it is the fourth largest (in terms of purchasing power parity) and fastest-growing economy, and a

major power on the world stage. Most importantly, it is a democracy of a billion-plus people. No wonder then that India was in the lead when, after the end of the Cold War, a majority of countries started a movement for the reform of the UN, especially the expansion of the Security Council. But those dominating the world order did not want this to happen. So they let the talk go on, but saw to it that no decision or consensus was reached.

However, there are wheels within wheels. Even the movers and shakers of the world discovered that they had a serious problem on their hands in Europe. For though Britain and France were two of the five permanent members of the UN Security Council, the most powerful country of the continent was Germany. Consequently, around 2005, the US and its allies seemed to indicate that, for the present, Germany and Japan should be added to the Security Council, and that future additions should be decided after a consensus was reached. No one was prepared to buy this discriminatory and dubious idea. China, in any case, was determined to keep Japan out.

Italy and, even more effectively, Americans of Italian origin argued that since they, too, had lost in World War II, they wouldn't allow only Germany to become a permanent member. Hence, critically important world issues, such as Iran's nuclear programme, are discussed with the country concerned by the P5+1. The chosen one is Germany, of course.

In recent days, the UN General Assembly — which alone can elect new members to the Security Council by a two-thirds majority — has taken a decision that has started a frisson of hope and optimism in many places, including in this country, largely in official circles. The process of reforming and enlarging the UN Security Council has begun and might produce the desired result. The decision taken by the UN General Assembly is that a text-based discussion on the desired goal should begin in the current 70th session of the UN General Assembly. And to facilitate it, a text has been added to the decision.

It will perhaps be wrong to say that nothing has moved. But going by the rude reality on the ground, those who believe that the UN General Assembly's move is a road map to an early consensus are being utterly unrealistic. This is so because the text on which the decision is to be based is nothing more than a catalogue of the various and highly conflicting views of different groups. The best that can happen is that the highly protracted and unproductive discussions that used to take place in different groups will now be repeated in the General Assembly. This is not all. China, Russia and the countries that are part of the "Uniting for Consensus" movement, including Pakistan, Italy, Egypt, Mexico and many more, have totally rejected the 25-page text and strongly opposed its introduction in the General Assembly. Nor should it be forgotten that China would never want either India or Japan to be seen as its equals. Rivalries and conflicts in Africa, Latin America and everywhere else are equally strong.

The writer is a Delhi-based political commentator.

### **No proof required: Central bank governor, a no-mistake job**

There are a plethora of CPI inflation indices: Headline, food, ex-food, core etc. For the purpose of disentangling the causes according to Rajan's formulation, let me offer an additional index: Basic CPI inflation or overall CPI minus inflation due to external shocks (oil) and changes in taxation.

Since my article a month ago ('Why inflation fell', The Indian Express, August 26), headline consumer price index data for August has been released and, to the surprise of many, it

registered a second consecutive 3.6-3.7 per cent headline inflation print.

As we await the RBI decision on monetary policy on September 29, it is important that we have a correct understanding of what has caused inflation to fall so rapidly. Citing an RBI study, Governor Raghuram Rajan alluded to three big possible causes for CPI inflation to decline: “The good inflation news follows from a combination of good food management by the government, good luck because of external factors such as lower crude prices, and monetary policy”.

In this article, I want to look at the individual contributions of these three over the last three years. But how do we measure inflation? There are a plethora of CPI inflation indices: Headline, food, ex-food, core etc. For the purpose of disentangling the causes according to Rajan’s formulation, let me offer an additional index: Basic CPI inflation or overall CPI minus inflation due to external shocks (oil) and changes in taxation.

The oil price shock is a biggie, as are the service tax increases since June. The service tax increased by a rather large 13.2 per cent (from 12.36 to 14 per cent). This obviously has an effect on prices, and year-on-year calculations, and it would be a mistake to construe tax-induced inflation as constituting structural inflation, which anyone should be worried about, especially the RBI. While tax increases, ceteris paribus, decrease the fiscal deficit, the RBI has been emphasising the inflationary effects of fiscal deficits for decades. I have yet to find any significant effect of fiscal deficits on inflation (it is an outcome variable, not a cause), but that can be debated another day. The fact remains that tax increases should be separated from underlying or structural inflation — just like oil price changes (declines) should also be eliminated while discussing structural inflation.

My suggested index of “core” inflation, or basic inflation, is the following: It is inflation excluding food (weight = 45.86 per cent), fuel and light (mostly government administered prices for kerosene, electricity etc; weight = 6.84 per cent), consumer prices of petrol and diesel (in transport and communication; weight = 2.19 per cent), and CPI for “pan, tobacco and intoxicants” (weight = 2.38 per cent). The reason for excluding CPI for tobacco etc is because this sector is also hugely affected by tax changes. Hence, the basic CPI is sensitive to changes in the prices of housing, education, health, clothing, footwear etc. The total weight for these items is 42.73 per cent, almost equal to that of food. Basic and food inflation together constitute “true” CPI inflation.

### Food management key to India’s low inflation

VARIABLE	2007-11	2012	2013	2014	2015	
MINIMUM SUPPORT PRICE INCREASE (%)	Rice	13.6	15.7	4.8	4.0	2.5
	Wheat	11.9	5.1	3.7	2.0	
	Overall	13.0	16.2	6.0	2.4	
CONSUMER PRICE INDEX INFLATION (%)	Food	11.2	12.0	12.6	8.6	2.9
	Basic		8.1	8.9	6.2	4.6
	True		10.1	10.8	7.5	3.7
	Overall	10.3	10.0	10.4	7.0	3.7
OVERALL CPI TREND DECLINE (%)	Aug. 2013 to Aug. 2015					-6.7
	Total decline (%)					100.0
	Decline explained by (%)					
	■ Food management (Centre)					75.0
■ Monetary policy (Maximum - RBI)					25.0	
■ Oil price decline*					0.0	

\*excluded from true inflation

**Notes:**  
 1. All values are calculated for the month of August  
 2. Basic CPI inflation is overall CPI inflation minus inflation due to external shocks (oil) and changes in taxation  
 3. True inflation is basic CPI inflation, along with food inflation

Illustration: C R Sasikumar

The trend in these two constituents of inflation — basic and food — can help assess the contribution of the three “Rajan factors” — food management, oil prices, and monetary policy — to the decline in CPI inflation. After averaging 9.8 per cent for the previous seven years (2007-2013), headline CPI inflation fell to 3.7 per cent for two successive months, July and August 2015. There is little doubt that CPI inflation has fallen, and fallen sharply.

While the prices of oil and commodities like metals do affect the WPI, the only direct effect of their decline on the CPI is via the components that have been excluded from the basic CPI. In any case, petrol prices for the CPI are only down 11 per cent from last August despite the price of crude oil having reduced by half since then.

The real story of inflation decline is that of food; in turn, this has been caused — with a lag — by the toning down of minimum support prices (MSPs). The pace of MSP increases started declining from the setting of the winter crop MSP in August 2012. The wheat MSP was announced on August 3, 2012; it was only increased by 5.1 per cent, compared to the 14.7 per cent increase of a year earlier. Interestingly, the MSP for rice does not show this sharp decline — indeed, at 15.7 per cent and announced on June 14, 2012, it was almost double the 8 per cent increase of the year before.

So what happened in the UPA during these two months to cause such a radical shift in MSP policy? When economic historians write about the great inflation decline in India, they will have to credit a certain P. Chidambaram, who assumed the role of finance minister again in July 2012.

Every MSP policy action since the “pioneering” Chidambaram initiative of August 2012 has led to MSPs, and food prices, declining in India. The average MSP increase in 2013 was 6 per cent and 2.4 per cent in 2014. It is likely to be less than 3 per cent in 2015 (once MSPs for the rabi crop are announced). Food inflation has declined from a 12 and 12.6 per cent rate (2012 and 2013) to 8.6 and 2.9 per cent in 2014 and 2015, respectively.

It is hard to argue that monetary policy had anything to do with this supply side decline. But Rajan may have had something to do with Chidambaram’s initiative — he formally joined Chidambaram’s ministry just nine days after the historic MSP decision. There is no way of knowing whether Rajan was consulted by Chidambaram, but what one does know is that, in his last few policy statements, Rajan has been emphatic about the need for MSP prices to be contained — in order to contain headline inflation!

We cannot attribute monetary policy as the cause of food price declines, but we can attribute at least some of the basic inflation decline to the actions of the RBI. Basic inflation declined from 8.1 and 8.9 per cent in 2012 and 2013 to 4.6 per cent in August 2015. Note that service tax increase post May 2015 possibly accounts for about 0.6 percentage points of the decline in basic inflation; that is, basic inflation is at present about 4 per cent.

We can now summarise the role played by Rajan’s three factors in accounting for the great Indian inflation decline. Overall, CPI has declined by 6.7 percentage points since August 2013; true CPI inflation has declined by 7.1 percentage points. Food price decline has been 9.7 percentage points and this has contributed to almost 75 per cent of the decline in true CPI; the maximum share of monetary policy is 25 per cent. Oil prices have a nil share in the true CPI decline.

Note that we have not mentioned base effects even once; nor have we mentioned inflation expectations. Base effects do not enter the above calculation, they cannot for a four-year period. Remember that “base effects” are one of the three most important self-defence tools in a monetary policymaker’s arsenal. The other two are: monetary policy acts with long and variable lags; and, lest we forget, monetary policy needs to anchor all-important inflation expectations. Can any monetary official, anywhere, ever make a mistake?

**The writer is chairman, Oxus Investments, and senior India analyst, the Observatory Group, a New York-based macro policy advisory group**  
Seventeen steps to a better world



Around 150 heads of state and government are at the United Nations on Friday through Sunday to launch what are known as the Sustainable Development Goals.

September 2015 could prove to be a globally important month. Heads of state are expected to gather at the UN from September 25-27 to deliberate and adapt the next generation of development goals — the Sustainable Development Goals (SDGs). Unlike the Millennium Development Goals (MDGs), SDGs have been formulated through an open and consultative process of nearly two years.

Emerging from the Millennium Declaration of 2000 were eight MDGs, each with a clear set of targets to be achieved by 2015. These included the goal to eradicate extreme poverty and hunger (MDG1), achieving universal primary education (MDG2), promoting gender equality and empowering women (MDG3), reducing child mortality (MDG4) and improving maternal health (MDG5), combating HIV/AIDS, malaria and other deadly diseases (MDG6). There were two further goals — environmental sustainability (MDG7, which included targets of reducing by half the proportion of population without improved water and sanitation), and developing a global partnership (MDG8).

The performance on a few MDGs has been spectacular. According to the UN’s 2015 MDG report, extreme poverty (proportion of population living below an income of \$1.25 per day, popularly known as the “dollar a day” poverty line) has decreased from 1.9 billion (47 per

cent of the population) in 1990 to less than 840 million (14 per cent) in 2015. Critics argue that much of the success is owed to countries such as China and that the lives of millions who have moved just above \$1.25 per day are not necessarily great, since any poverty line is an artificial construct.

With regard to universal primary education (MDG2), the report notes that the net primary school enrolment rate in developing countries is above 90 per cent in 2015, as compared to 83 per cent in 2000. The number of children of that age not in school has decreased to around 54 mn, from around 100 mn in 2000. With regard to MDG3, the report notes that gender equality in primary, secondary and tertiary education in developing countries has improved significantly, with the enrollment ratios for boys and girls now more or less comparable.

In 90 per cent of countries, there are more women in parliament now than in 1995. However, according to the Inter Parliamentary Union dataset, as of June 2015, worldwide (both Houses combined) there were 34,000 male MPs compared with some 9,800 women MPs (22 per cent). In the Nordic states, 41 per cent parliamentarians were women — 19 per cent in Asia and 16 per cent in the Pacific countries. Currently, only 22 countries have a woman president or prime minister. Just five of the top 100 corporate firms in the FTSE 100 have female CEOs. According to an ILO report called “Women in Business and Management: Gaining Momentum”, less than 5 per cent CEOs are women. Thus, it seems that the MDG on gender equality remains far from being realised. There appears to have been some progress on infant and child mortality (MDG4) — seven million fewer children die from preventable causes.

While significant progress has been made on some MDGs, the main criticisms were that MDGs were arbitrary, lacked a theory of change, were chosen without consultation and imposed on developing countries. By 2015, development assistance provided by non-OECD countries like China, India and Brazil is significant. For instance, according to this writer’s estimates based on AidData 2.0, in 2000, Africa received some \$33bn from OECD Development Assistance Committee donors, while China’s aid to Africa was about \$3.5bn. By 2006, China’s aid had peaked to \$22bn, as compared to the OECD’s approximately \$60bn.

That the drafting of the new set of goals was done by wide consultation, over two years and through open fora, is an amazing achievement in itself. However, opinions differ on the fact that there are 17 goals and 169 indicators. Sceptics argue that having many goals is fine, as long as there is clarity as to whether there should be any priority and weights attached to the goals. However, sustainable development of a society cannot be achieved with outstanding performance in some dimensions but appalling performance in others. As Sir Richard Jolly pointed out at a recent conference in Helsinki, for the first time since the Universal Declaration of Human Rights, these goals will be universal and apply to both developed and developing countries.

On September 28, it is quite possible that we will enter a new era of global consensus that sustainable development would be closer by climbing all 17 steps proposed and agreed by nations big and small.

**The writer is a reader in environmental**

### **Drawing the line**

The Supreme Court's rejection of a PIL seeking its intervention in ensuring the uninterrupted functioning of Parliament is welcome for underscoring the fundamental working principle of the separation of powers laid down by the Constitution. This principle divides the power between the three branches of government: the legislature, which makes laws; the executive, which executes or enforces these laws; and the judiciary, which adjudicates or interprets whether the laws and policies made enjoy constitutional validity. Such clear separation of functions prevents concentration of power in any single branch, while imposing checks and balances within the overall system. It is precisely the principle of not transgressing upon each other's functions that Chief Justice of India (CJI) H.L. Dattu reaffirmed, while dismissing the PIL asking the court to frame guidelines for parliamentary proceedings to take place sans disruption. The court, he rightly stated, should know its lakshmanrekha and not overstep its boundary "to say Parliament be conducted in this manner and not in that manner".

The latest order by no means undermines the judiciary's role when it comes to review of legislative or executive actions. The courts can always step in when such actions are perceived as illegal, arbitrary or ultra vires of the Constitution; the judgments ordering the cancellation of coal block and telecom spectrum allocations made by the previous UPA regime were based on such interpretations. Moreover, Article 32, which B.R. Ambedkar called the "very soul of the Constitution", allows every citizen to directly approach the Supreme Court if any fundamental right is violated — which extends even to laws seen to do so.

That said, it is not difficult to understand the frustration that led to the filing of the PIL by an NGO whose advisory board includes the likes of former CJI M.N. Venkatachaliah, former Central Vigilance Commissioner N. Vittal and eminent industrialist Ratan Tata. There is no doubt that parliamentary disruptions have become more the norm than the exception. Apart from the long-term costs of key reform legislation getting stuck — such as the one enabling a nationwide goods and services tax — non-productive lawmakers also impose immediate costs. Each minute of running Parliament is estimated to cost the taxpayer Rs 2.5 lakh, even as a total of 2,162 hours have been wasted over the last six sessions alone. But this, at the end of the day, is a political issue, not a constitutional matter to be resolved by the courts. Parliamentarians have been elected by the people to make laws in public interest. It can be left to the wisdom of voters to teach those responsible for creating legislative logjams the right lesson — at the time of elections.

### **Cake for all**

This week saw the Gujarat government announce a Rs 1,000-crore financial assistance package for low-income and meritorious students across all castes, even as Rajasthan introduced 14 per cent reservation in education and employment specifically targeting the poor among the upper castes. Both initiatives were a clear response to the unrest among communities dissatisfied with the current system of quotas. The BJP, in power in both these states, is particularly wary that the expression of disquiet by Patidars in Gujarat may spread to the upper castes — the party's core constituency — in other states, especially poll-bound Bihar. RSS chief Mohan Bhagwat's call for a non-political committee to decide who gets the benefits of reservation and for how long, also fits the same pattern of reaching out. Clearly, the attempt is to prevent a disaggregation of the Hindu vote over quotas.

Offering financial help to needy students, irrespective of caste, is a step in the right direction. The state must ensure that no meritorious student is deprived of quality education due to lack

of funds. However, the onus of balancing merit and opportunity should not lie with the government alone. The private sector has emerged as a major stakeholder in education, and its role in addressing supply constraints will be crucial. It has been pointed out that one of the factors that triggered the ongoing Patidar agitation in Gujarat is the absence of educational opportunities. The private sector led the expansion of education in Gujarat, and professional courses had become prohibitively expensive. While there has to be a check on profiteering, private management must explore options other than capitation and course fees to fund the running and expansion of their institutions. Endowments and grants from alumni and industry, supplemented by conditional direct benefit transfers from government, could help reduce excessive dependence on fees and facilitate the entry of students from a broader class-spectrum into campuses. Quotas are not the sole solution to meet the aspirations of a burgeoning youth population.

Affirmative action ought to be understood as an instrument to address social and educational backwardness in a broad framework of deprivation, with caste as the most important marker of discrimination. However, categories such as income disparity, religion, gender, locational disadvantages etc may also impact capabilities and need to be factored in while designing affirmative action policies. Moreover, structural changes in the political system and economy are unleashing new forces and reconfiguring power relations. Public policy needs to be alert and sensitive to these changes.

WWW.INDIANCIVILS.COM