

Time to Draw on Political Capital

That is the only way to push up lending, growth

Finance minister Arun Jaitley did the right thing by making it clear that the government respects the RBI's decision on policy rates, something that is within its remit to set, through the new mechanism of the Monetary Policy Committee (MPC) that includes three economists nominated by the government. He was also right to assert the finance ministry's right to communicate its views to the MPC on what policy rates should be. In the era of globalised finance and footloose capital that can shift trillions of dollars across national borders in the twinkling of an eye, fiscal and monetary policy must coordinate, to maintain macroeconomic stability. But how that coordination takes place is as important as the need for it. And this is where the MPC's decision to assert its independence and the finance minister's open acknowledgement of that independence serve the nation well.

The fact of the matter is that the binding constraint on the economy is not the cost of borrowing but the structural problem of the banking system's inability to lend and large companies' inability to borrow, owing to huge past loans that have turned sour. Resolving this problem has to be the central banks' priority, as well as that of the government. It might not be sufficient to authorise the RBI to restructure the

bad loans of the banks it supervises. Political capital has to be spent to make the haircuts that banks would have to take while doing that restructuring viable. If bank chairmen are not assured that such haircuts would not lead to charges of causing loss to the exchequer that land them in jail, few would venture to take the plunge: they would much rather dither and retire, and let their successors handle the mess. Only the government can provide that reassurance, by making it clear that it makes a distinction between decisions that were mala fide and decisions that simply went wrong and would go after only those behind the mala fide decisions.

The good news is that the government does have enormous political capital, after the ruling party's sweeping victory in Uttar Pradesh and Uttarakhand.

Going Beyond the QS Ranking of Universities

It's heartening that three Indian universities feature among the top 200 in the latest QS world ranking of universities. QS rankings have a weightage of 50% for reputation among the academics and employers' surveys, and thus has a structural bias against Asian universities and, in particular, against smaller universities that produce few globetrotting academics or technology workers. However, there is no gainsaying that Indian higher education is deficient, when it comes to pushing the boundaries of human insight and ingenuity forward.

India needs to cover a huge ground, starting from primary education, to become a knowledge society by global standards. Instead of respect for received wisdom, authority and hierarchy, our system of education must promote the spirit of inquiry. Our institutions of higher education must nurture the spirit of enlightened questioning, as well as experimentation. That entails challenging extant wisdom and tolerance of questioning and criticism. Without that, research cannot flourish. Any ranking of universities would give great weightage to research citations by faculty. In India, the Indian Institute of Science is an outlier in this regard. The need is to integrate teaching and research across universities. For research-active faculty, functional autonomy and attractive remuneration are essential.

Expanding higher education also calls for enhancing the efficacy of public spending, apart from enhancing public funding and supplementing it with realistic tuition fees in the case of higher education. Liberal scholarships and student loans must complement higher tuition fees, of course. Indian industry must also pitch in, funding research at our institutions of higher learning, to fuel their own ambitions to achieve global levels of excellence.

Obama wearing the same tuxedo for all events shows men have a fail-safe too

The Trusty Tux is as Useful as the LBD

The little black dress (LBD) has become a fashion icon because it's a fail-safe formal ensemble. Former US First Lady Michelle Obama's revelation that her husband ex-president Barack Obama wore the same black tuxedo for every important evening event for his entire eight years in the White House draws attention to it all this while. Does anyone notice if George Clooney repeats his suits or evening jackets as he escorts his glamorous wife Amal on red carpets? Did anyone check whether the British princes at Pippa Middleton's wedding wore the same morning suits as previous society nuptials? Unlikely. It may be germane to mention that the originator of the LBD was the actress amour of King Edward VII, Lillie Langtry, who stood out in London society over a century ago by wearing only a black dress — the same one, for a long time — and no jewellery for all engagements. It is not surprising that no one recalls what her royal friend wore.

Of course, Michelle Obama's disclosure gives rise to speculation whether besides his trusty tux, Obama wore only one suit for his two terms too, leaving the entire dressing room space in the presidential suite for his wife's extensive wardrobe. That would count as a significant concession for the US clothing retail industry.

Staying away from China's BRI must be backed by India strengthening its own (digital) backbone

Belt & Road, Take Me Home



Samir Saran & Arun Sukumar

External engagement is a factor of internal priorities. This has been an abiding tenet of India's foreign policy. Which is why it's puzzling that New Delhi's policy towards China's 'Belt and Road Initiative' (BRI) is out of touch with the reality of Chinese involvement in India's own economy.

When the Pakistani daily, Dawn, revealed China's plans to build Pakistan's internet backbone via the China-Pakistan Economic Corridor (CPEC) last month (goo.gl/ttMtha), influential voices in India scoffed at Islamabad's open invitation to Beijing to surveil its society. China is not only creating Pakistan's fibre optic backbone but it is also developing its digital infrastructure for law and order 'monitoring and control'.

The Chops and the Sticks

Just as the CPEC is BRI's flagship project, the creation of information and communication technology (ICT) ecosystems is the most important element of BRI. In no other area will Beijing's influence on BRI member states be more pronounced than in cyberspace. Because China can supply digital goods at extremely competitive prices.

India has stayed away from BRI to counter China's influence on the region's economies. This concern was eloquently articulated in 2015 by foreign secretary S Jaishankar, who suggested China was looking to "hard wire" norms of governance in Asia. Digital spaces, in the absence of settled international regimes, are ripe for such hardwiring.

Unfortunately, this concern is acute in India's own digital economy. Sample these statistics from the Kleiner Perkins Internet Trends 2017 report released on May 31. Four of the top-selling five smartphones in India today are Chinese: Lenovo, Oppo, Vivo and Xiaomi. Their collective market share grew from a modest 15% in 2014 to an astonishing 52% by the first quarter of 2017. More importantly, this growth came at the cost of Indian manufacturers, whose market share declined exactly in reverse, from 45% to 15% in three years.

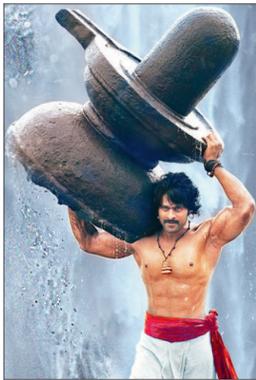
The report also suggests UC Browser, developed by China's internet giant Alibaba, has carved out a 50% share of India's mobile browser market. A 2015 ExIm bank report concluded that India is China's largest "recipient of capital investment in electronics". In 2013-14, China accounted for a staggering 58% of all electronic imports to India.

So, one could argue that all roads from China's digital economy lead to India. Given Beijing's pervasive reach over India's IT ecosystem, is it anyone's case that BRI policies will not affect New Delhi?

The Indian response to China's domination of its digital economy should not be to ban Chinese products and

services. That would only halt the surge in internet penetration in India, and go against the grain of this government's 'Digital India' and 'Make in India' initiatives. If anything, China's technology giants must be invited to build capacity in India, whether in high-end manufacturing, data analytics or through financing R&D in Indian universities. They must be encouraged to be honest interlocutors and to refrain from exploitative trade activities.

Boycotting the Belt and Road Summit in Beijing last month was New Delhi's political signal to Asian countries that it is willing to challenge China's economic influence in the region.



First set up your own ecosystem

From a strategic perspective, it must be ensured that China's creeping influence over cyberspace rules does not pose a challenge for India. Indian players should not find themselves shut out by Chinese competition from the region's digital economies, or at the very least, from their own.

Fasten the Belt on the Road

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The resistance to China should be led by a multilateral effort by India, Japan, Singapore and South Korea to set norms of governance for cyberspace in Asia

INDIA-UK DEFENCE PARTNERSHIP

Let's Weaponise Make in India



Richard Heald

With the announcement of the Strategic Partnership policy, the Indian ministry of defence (MoD) has rolled out a significant initiative aimed at revitalising the 'Defence Industrial Ecosystem'. This announcement could be ground-breaking. Cementing partnerships with Indian companies is already recognised as an important opportunity for big foreign defence manufacturing companies, providing an impetus to 'Make in India'.

The British defence sector, with its unique expertise and already established long-term commitment, is looking at these developments with attention. The devil will be in the details. But to date, the plans are radical and make the elusive target of 70% indigenous manufacturing, which MoD is committed to, realisable.

It's been over a decade since India's private sector was directly involved in defence manufacturing. Citing

security concerns, India's defence procurement has largely been driven by various defence public sector undertakings (DPSUs) and the Ordnance Factory Board. While defence manufacturing was 'liberalised' in 2001 and opened up to not just Indian private players but also to foreign entities (49% FDI), a defence production base outside of the DPSUs and the OFB has not yet been prevalent.

The radical element is the pivotal role the private sector is envisaged to play bringing together all stakeholders, including foreign original equipment manufacturers, for developing indigenous defence manufacturing. Active involvement of the private sector will have a transformational impact. It will enhance competition, raise efficiencies, facilitate faster and more significant technology absorption, create a tiered industrial ecosystem, ensure development of a wider skill base, trigger innovation and promote participation in global value chains and exports.

From a strategic perspective, it will help reduce current dependence on imports. Gradually, it will ensure greater self-reliance and dependability of supplies essential to meet national security objectives.

The ring-fencing of six strategic



What's been good for Double-O...

platforms is different from other models elsewhere, where market forces drive development and competition. It raises questions. Many of the six named domestic champions have already invested in defence verticals that may be different from those they are selected to focus on. Then, questions are being raised as to whether mechanisms will be put in place to achieve 'value for money' once the sector has been awarded to a strategic partner on an exclusive basis.

Also, what would happen if MoD decides not to buy the system the strategic platform had developed? Or, indeed, delayed a programme? These are not deal-breakers. But they do underscore the need for care-

ful consultation with both domestic and foreign companies prior to the rollout of the initiative. Industry is keen to contribute to the details of a well-defined model based on strategic needs, quality criticality, cost competitiveness and safeguards designed to prevent an abuse of monopoly. At the same time, there is an opportunity to put in place processes that avoid previous competing priorities where defence deals are bogged down in complex negotiations over offset clauses, technology transfer pacts, etc.

The new Strategic Partnership policy won't solve these issues overnight. But Britain believes the policy will considerably free up the defence industrial space in India, making room for new private sector players and greater infusion of FDI and technology. As the British defence industry is widely recognised as one of the most innovative in the world, one can be confident that it will engage to assist in making this initiative a success. Through this model, there will be a marked rise in technology transfer, a definite requirement for stepping up Indian indigenous defence manufacturing between India and Britain.

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NOW & THEN

Get All Charged Up About Solar



Jaideep Mishra

The Centre is reportedly planning a major policy initiative to rev up usage of electric vehicles. The game plan is to sell automobiles without batteries. This would slash costs by as much as 70%. Further, what's proposed is a nationwide leasing of batteries, for rapid diffusion of e-vehicles and change in the techno-economic paradigm.

The way ahead is to install solar-powered vehicle chargers in the main urban centres for starters, and with the express purpose of opting for green energy, especially in public transportation. It would be path-breaking and innovative. Speedy policy implementation is key.

A focused initiative to boost solar-powered charging of e-vehicles would meet several policy objectives. It would step up the supply of environmentally benign power in our commercial energy mix.

It has the potential to very substantially reduce fossil fuel imports. And widespread plying of battery-powered buses and e-rickshaws in dense urban areas can proactively bring down pollution levels, particularly if there's solar charging.

Reports suggest that battery techno-

logy for automotive use is set to make rapid progress in the medium term and beyond. This would reduce costs and boost demand for e-vehicles. Hence the need to have a forward-looking policy in place for convenient solar charging. What's required is a solid business case for installing solar-powered e-vehicle chargers widely.

However, it is a fact that neither the global oil majors nor the main automobile companies seem particularly bullish on e-vehicles. A recent report mentioned that one of the biggest oil retailers expects the global e-vehicle fleet to add up to no more than 11%, by 2040. Another oil major reportedly expects e-vehicle numbers to be a lowly 6% in 2035.

Automobile majors seem more sanguine about the prospects of e-vehicles, but expectations vary. So, while one major manufacturer expects every fourth car sold globally to be an e-vehicle by 2025, another has maintained that the phase-out of fossil-



Well, it is sunny

fuel vehicles will stretch to 2050. Nevertheless, there's progress on the battery technology front, and we need to fast-forward the usage of e-buses and e-rickshaws as environment-friendly public transport. Already, graphene battery technology is said to be far more productive than the lithium-ion route. The former costs far less too.

Besides, the internal combustion engine has an efficiency rate of only about 20% when it comes to converting fuel into useful energy. Its unmet moving parts and systems make it prone to breakdowns. In contrast, e-vehicles are vastly more robust and energy efficient. Which is why it makes eminent sense to step up the policy push for e-vehicles and solar-powered chargers.

The way forward is to rapidly set up charging infrastructure, initially for public transport, by leveraging funds from, for instance, the clean environment cess corpus. We need to install rapid solar-charging stations, fast chargers and ultra-fast chargers, to have a network of charging points right across the board.

Fast and ultra-fast chargers require more power, and will wear out batteries sooner. But with an attractive leasing plan in place for e-vehicle batteries, the quicker wear-out should actually accelerate efficiency improvement and productivity gains.

It would lead to a virtuous cycle, and would step up both the demand and supply of e-vehicles going forward. The costs of solar power have been tumbling and falling for quite a

while now. It is possible that with policy-induced demand for chargers, the economics of solar panels would further improve.

We need to put in place norms and standards for the solar charging infrastructure. One Britain-based oil major says it would start installing solar-powered e-chargers at its fuel stations this year. The mavens suggest that rapid chargers, which can recharge e-vehicle batteries in half an hour or so, need solar panels of about 50kW.

Also, we need ultra-fast chargers to recharge on the go — in, say, 15 minutes — with 350kW solar power. Such chargers need to come up, to begin with, in bus depots. There's also the need for dedicated charging points for e-rickshaws.

There's the further need to have solar-powered chargers along highways in a phased manner, in keeping with the diffusion of e-vehicles on the ground. At the same time, we need slow chargers, to charge e-cars overnight, with, say, 3kW solar power.

Additionally, residential colonies will need perhaps 20kW installed to recharge e-cars in 3-4 hours. More generally, we need to encourage through policy solar-powered inverters in homes, with dedicated solar panels of, say, 0.5-1kW to make solar-powered backup systems an essential household gadget. It would shore up supply of solar panels and chargers, and purposefully drive zooming e-vehicle usage nationwide.

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In a State of Goodness

ASRINIVAS

Who is a good human being? Charles Dickens said people were good and bad. But he couldn't figure out what made them that way. Unfortunately, Dickens missed — by about 50 years — the revolution in psychology brought about by Sigmund Freud. Freud believed an individual's personality was shaped in his infancy, with later influences having only a negligible impact. But Freud erred in focusing on natural instincts to the exclusion of social structures.

A good human being is honest to himself and sensitive to the needs of others. An emotionally honest person is a product of an upbringing that infuses a sense of self-worth. People can lack self-worth because of some kind of Freudian rejection in their infancy. To overcome their feeling of smallness or insecurity, they control, even with good intentions, those emotionally or socially weaker than them.

The oppressed tend to control those still more vulnerable to overcome their misery. Hence, a chain of power is established in family and social relations. Control distorts love and goodness. It is exercised through psychological manipulation, or through the social hierarchy.

The good individual stands liberated from the control chain, from thought systems that divide people. He tends to be free of malice, fear and inner turmoil — all of which arise from carrying the burden of the past. The past can be overcome only by coming to terms with it. Here, Freud's contribution to the betterment of the human condition is invaluable.

Chat Room

RBI, Focus on NPA Recovery

Apropos the Edit, 'Propping Up the RBI's Credibility' (Jun 8), the question of autonomy of RBI in monetary and credit management is looming again. The government wants growth for which rate cut is required, but RBI's Monetary Policy Committee is in favour of inflation control by the traditional method of squeezing liquidity. Pay Commission and GST are expected to push up consumption, but low credit uptake for banks despite excess liquidity makes it difficult for investment-driven growth. RBI should focus on recovery of non-performing assets from corporates than blame farm loan waivers.

SANJAY TIWARI
Hisar

An Attentive Ear Won't Harm RBI

This refers to the Edit, 'Propping Up the RBI's Credibility'. The MPC would not have lost autonomy by attending a meeting convened by finance ministry officials. In fact, by attending the meeting, the members of the MPC could have got the government's ideas before taking monetary policy decisions. Any suggestion will not amount to interference. In fact, government borrowings, taxation and fiscal balances, all affect monetary policies of the RBI, and the monetary policies affect the government's finances. So why this reluctance?

SKALYANASUNDARAM
Byemail

Duckworth and Lewis, Goodbye

The result of ICC Champions Trophy match between South Africa and Pakistan by Duckworth-Lewis rule is highly unacceptable. South Africa's score of 219-8 (50) is countered by Pakistan with 119-3 (27) and it is declared a winner in absurd. This is a classic case of mathematics overtaking logic and reason. Still 100 runs from victory and having lost three wickets, Pakistan would have collapsed at any time. It is time to send the rule to the pavilion. As in some other games like tennis, it is better to continue playing the game the next day.

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