

Case Against Duties on Telecom Gear

Treat local production as deemed exports

Ahead of the rollout of the goods and services tax, the government plans to levy an import duty of 10% on 4G telecom gear. This is not a good idea. On telecom and information technology goods, Indian policymaking does not happen on a clean slate: it has to abide by or scrap its commitments under the World Trade Organisation's Information Technology Agreement (ITA) of December 1996. It is true that 4G equipment did not exist in 1996 and is technically outside the ITA-1. India has kept out of ITA-2 of 2015, and there are no legal objections to subjecting 4G gear to customs duties. But there are practical and economic difficulties. It is best to continue with zero import duties on all telecom and IT products while granting deemed export status to all domestic production of such gear.

Obsession with customs revenues could scuttle Digital India and its promise of innovation, jobs and prosperity. IT products and components should be as cheap as possible. The economic gains from nationwide availability

of high-speed wireless broadband outweighs any customs revenue from import duties on IT and telecom equipment. Also, how viable would it be to distinguish between imports of 3G and 4G gear? Having a differential duty regime is open to disputes, delay and corruption. Going back on ITA-1 would spoil India's good standing and could invite reciprocal duties on Indian exports. What remains is the harm done to domestic producers: nil customs duty deprives them of the minimum protection from foreign competition other local producers receive. It is eminently feasible to protect genuine Indian manufacture by treating local production as deemed exports, and reimbursing the manufacturing taxes they pay.

When an imported product is duty-free, its local sale by a domestic manufacturer is effectively sale outside the domestic tariff area, and should bear no taxes, on par with imports. Further, India should have the domestic capacity to set indigenous standards and make sure imports meet them. This calls for regulatory capacity and efficiency, for which import duties are no substitute.

Renewable Energy: Beyond Mere Capacity

India's renewable energy generation capacity is now at a little over 57 GW. In nearly doubling the renewable energy portfolio in three years, the government has shown its commitment to low-carbon development. But much more needs to be done.

The target of 175 GW of new renewable energy capacity by 2022 still seems ambitious. But the direction of travel has been clearly set. India is focused on increasing the share of renewables in the energy basket. Record low tariffs, declining capital costs, swift and transparent auctions and allotment have made this possible. But challenges still persist. The cost of credit remains high, in spite of official attempts to lower the cost. Much more needs to be done to provide storage options and making the grid compatible with higher share of variable power sources like wind and solar.

The government is working on these issues as well, increasing investments in the green energy corridor, active engagement in the programme of Mission Innovation and the Clean Energy Ministerial. Then there are policy niggles that can swamp renewable energy producers, such as PowerGrid allocating offtake commitment to those without any generation projects, leaving those with solar and wind projects under construction high and dry as far as offtake is concerned.

The government must invest more in research and development, publicly fund research institutions that can serve as incubators for cutting-edge technologies of the future. The government must leverage its participation to catalyse greater engagement by the private sector. The government needs to draw up incentives and disincentives to encourage cities, businesses and other entities to increase the use of renewable energy. Increasing capacity is the easier part of mainstreaming renewable energy.

Americans – and Indians – need more clarifications about the super cows

Fresh Chocolate Milk Cows for Concern

It is reassuring to learn from a recent survey that 93% of Americans—presumably among the most well informed people—do not think that chocolate milk comes from brown cows. That 7% of them did think so and a further 48% of the adults surveyed did not know for sure where it came from, however, is a cause for concern. But why blame the gullible? After all, there is a breed of dairy cow in the US called "Swiss Brown" and Switzerland is famous for chocolate. And it is obvious from its name that the colour of milk chocolate—and chocolate milk—echoes that of this prime milch breed. So, those 7% Americans can be forgiven their scientifically impossible assumption, especially since far more of them—25%, according to a 2012 survey—do not know the Earth orbits the Sun. A follow-up question on where strawberry milk comes might have elicited even more intriguing guesses.

Cows and their emanations are apparently capable of many wondrous things but producing coloured and flavoured milk is not one of them. The company that commissioned the survey must be commended for clarifying to all of America that "chocolate milk—or any flavoured milk for that matter—is white cow's milk with added flavouring and sweeteners". Indians could do with a few clarifications on certain other mystifying aspects of cows too.

The Modi-Trump meet comes during a flux when India's policy response is based on its core interests

Outside, Outsider, Outsidest



Sanjaya Baru

In his first six months in office, US President Donald Trump has so far met mainly heads of government of US allies or adversaries. He has admonished allies and talked tough with adversaries. When he meets PM Narendra Modi on June 26 in Washington, he would be meeting for the first time the leader of a country that is neither an ally nor an adversary. India will not kowtow to the US, or indeed any other power; nor does it want to see in a 'USA-mukti' global order.

Having said that, scholars and strategists have to recognise an important defining principle of the policies and politics of Modi and Trump. Neither sees the past as a guide to the future. Neither is burdened by precedent or memory. In practice, Trump has been more disruptive than Modi.

Rough and Tumble Wash

Perhaps that is because Modi is more of an establishment man than Trump. Modi is an 'outsider' to the old power networks of Lutyens' Delhi but very much an insider in the wider political power system. Trump is, in many ways, a complete outsider, not worried about wrecking the system he has inherited. Both, however, have demonstrated they can surprise their estab-

lishments and their interlocutors.

Clearly, the Modi-Trump meeting will not be according to anyone's script. While Modi has been measured in his public statements about the US, Trump has sprung surprises that have left US-India relationship watchers puzzled. For example, Trump took the unusual step of calling Modi to congratulate him on the results to the Uttar Pradesh assembly poll. This gesture has no precedent in the bilateral relationship. It was an overtly political, not merely diplomatic, gesture.

Interestingly, when Japan's Prime Minister Shinzo Abe met Trump, he did underline India's role and Modi's leadership in the context of the regional security architecture in Asia. American, Japanese and Indian navies will be jointly participating in the Malabar 2017 exercises this summer.

On the other hand, there is also the fact that Trump recently clubbed India with China when he justified pulling the US out of the Paris climate accord, complaining about how the US was getting shortchanged. The resurfacing of some India-baiting in Washington points to the survival of old anti-India voices that have remained suppressed for a while.

Which Trump will be meeting Modi this month? The one who was happy that Modi had been politically empowered at home by the UP result? Or the one who thinks Modi's India is hurting US interests?

In the next fortnight, pressure will be brought on Modi to make overt gestures of friendship to ensure that he has a good visit to the US



Just another day in office?

FILE PHOTO

ate for American workers, in an inversion of the logic of development economics. At home, too, there would be expectations about taking up the H-1B visa issue and market access for Indian exports, like pharmaceuticals.

On the other hand, there would be expectations on both sides, more so in India, of a reiteration of the values and principles defining the US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region signed in January 2015. How does Trump view relations with China? And what would his plans for Afghanistan be? How does India view the power struggle in West Asia?

On the Right Amtrak

There is no need for India to panic and go on a shopping spree to the US, or run around counting how many jobs are being created by Indian companies. Modi's key message for Trump has to be a reiteration of what the Bhishma Pitamah of Indian grand strategy, the late K Subrahmanyam, outlined in a report he wrote for the Manmohan Singh government: that an 'America First' strategy of rebuilding US global competitiveness requires

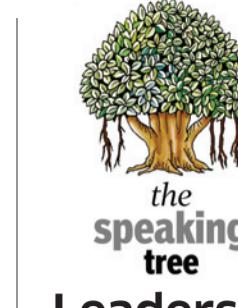
a win-win partnership with India in the fields of knowledge and security. Even as India prepares for, and learns to deal with, an evolving multipolar world, it too benefits from working with the US rather than against it.

But if Trump does not get the message, or is too distracted to pay attention, then India will continue to hedge, investing energy in other relationships. Modi's recent travels across Europe and Asia—his outreach to Russia, Germany and Japan—are pointers to the shape of things to come in an increasingly multipolar world.

Indian political leadership adjusted to the power balances of the Cold War; to the collapse of the Soviet Union and the consequent unipolar moment of the 1990s.

While it faltered in its initial response to the rise of China with what came to be dubbed 'Non-alignment 2.0'—a half-baked concept—it has since crafted a response based on India's own core national interests. The Modi-Trump meeting comes in this period of flux and change.

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Leaders as Servants

CHIRDEEP S BAGGA

Leadership is often associated with power. Today the term has acquired negative connotations, particularly in politics. One has come to question the relative importance of being recognised as a "leader" when what we sorely need are individuals who both lead by their service and example and follow the universally accepted principles of responsible living.

We are beginning to see that traditional autocratic and hierarchical models of leadership are slowly yielding to a newer model. This model—of leaders as servants—will simultaneously enhance the personal growth of the led and improve the quality of our institutions through a combination of individual and community teamwork in decision-making infused with ethical and caring behaviour.

Servant-leadership is a practical philosophy concerned with the ethical use of power and authority. Servant-leaders believe that power and authority are for helping others grow, not for ruling, exploiting or gaining advantage by setting individuals or groups against one another.

Servant-leadership advocates a group-oriented approach to analysis and decision-making as a means of strengthening institutions, and of improving society. It also emphasises the power of persuasion and consensus over the old "top-down" form of leadership. Some like this to turning the hierarchical pyramid upside down, so that in the mind of the servant-leader, the needs of his or her employees, customers, constituents and community become the most important reason for a company's existence.

Chat Room

President Taller Than the System

With the Election Commission of India formally notifying the election for selecting the next president, the ruling dispensation had reached out to opposition parties to arrive at a consensus candidate. Given the determination on the part of mainstream opposition to field a candidate of their choice in the presidential poll, it is doubtful if this consultative process will end on a successful note. So, it is time we chose a president who stands taller than the skewed political system through a broader consensus.

M JEVARAM
Sholavandan

Swaminathan is the Choice

Apropos 'Consensus and Sensibility' by Arati R Jerath (Jun 17), all the candidates suggested are undoubtedly of high merit. It will be great if the choice falls on a consensus candidate in M S Swaminathan. He is a reformist in Gandhian mould

and is adored by farmers. Having done consistent and uniquely modelled research with passion in the development of farms and farms, this doyen of Indian agriculture is the perfect person to perform the presidential functions in a non-partisan manner. Given a chance, he will leave an indelible mark as the president of India.

KUMARA
Mumbai

But Do Keep the Rest Simple

That the government has made quoting of the Aadhaar number mandatory for opening a bank account and for having a financial transaction of ₹50,000 and above is welcome. However, at the same time, one feels the other procedural formalities to open an account should be simple and designed in a manner that they do not discourage people from transacting with the bank. Technology, one thought, would save a lot if time; it's not turned out to be so. It makes things complicated and also demands a lot of time to do full justice to the work.

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FARMERS' DISTRESS

Just Ease Their Doing Business



Nidhi Nath Srinivas

Farming, India's largest private sector, lacks the freedom successful businesses enjoy: surviving the bad years on the back of earnings in the good years. Through frequent trade barriers, distortion of price signals and controls in the name of the consumer, farmers have never been allowed to maximise earnings even in the good years. The current agitation reveals its human cost.

Government wants prosperous agriculture, but gains favour with voters when it lowers the price of food. Policies are 'pro-farmer', until the crops are sowed. Then they turn 'pro-consumer' by depressing agricultural prices. This forces farmers to pay an invisible, off-balance-sheet food subsidy. Eventually, the bad effects of price controls are fixed with farm subsidies and loan waivers.

Despite the high price of food, real income growth of farmers has actually declined in the last five years because earnings were below rural inflation. Cereals, oilseeds and pulses that provide a livelihood to most small and marginal farmers, were the least profitable compared to fruit and vegetables, spices, cotton and sugar.

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A 10% fall in retail prices hits him by 20%, according to a study by the National Institute of Agricultural Marketing. Not surprisingly, manpower

cane. The debilitated earnings and adverse terms of trade forced families to borrow from the village moneylender for day-to-day needs. There was no buffer for the seasons when crop prices are low or plantings fail.

Farmers deserve better. Unlike other sectors, they face almost perfect competition. There are lots of sellers for each commodity and no single farmer is able to influence the price. The majority never reach regulated markets or formal value chains to receive the full value of their produce.

Farmers rarely receive more than 50% of the consumer's rupee. Several studies have conclusively shown that processing accounts for more than half of the total cost build-up from farm to fork. Transportation (21%), bag and packing (12%), labour (7%), mandi fee and development (6%) contribute the rest. This explains why we continue paying ₹150/kg for tur dal at the kirana while the farmer sells in distress.

Farmers are hit even by retail price controls because the marketing costs (marketing, processing, wholesaling, distribution and retailing) are typically sticky. Let's say the retail price of tur is ₹100, of which the marketing cost is ₹50, and the farmer gets the remaining ₹50. When retail price drops to ₹90, the marketing cost remains ₹50, leaving the farmer with only ₹40.

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Demand and supply need better coordination to avoid price spikes. However, government must resist the temptation. The case against price control is not that the market always gets it right. But many buyers and



Mandi blues

and investor capital are fleeing agriculture for better returns elsewhere.

What is the solution? Food subsidy should be direct so that it doesn't distort the market or create incentives for wastage. Competition and markets are even better tools against inflationary farm-to-consumer price spreads because they offer a win-win for consumers and farmers.

Farmers must increase competition among traders through the National Agricultural Market and stop protecting inefficient processors. Farmers, too, will receive a higher share of the consumer rupee once marketing costs drop. In 2015, access to the Unified Market Platform in Karnataka brought farmers 13% higher prices and 9% more income, finds the Niti Aayog.

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many sellers do a better job than any central planner in figuring the hidden costs and indirect consequences.

In the long run, consumers and farmers would be better served if GoI focuses on stabilising the macro issues of market access, taxation, property rights and regulation so that the supporting institutions necessary for an efficient farm sector mature quickly. Trying to stabilise micro-level prices of each commodity leaves farm prey to economic depression.

Farmers have postponed consumption, explored the market place, invested capital, grown crops worth ₹15 lakh crore, built a business, created 215 million jobs and accumulated stocks—long before earning a single rupee and assurance of any success, all in response to what they imagine consumers want. When prices are beaten down—through government action or buyer collusion—anger is inevitable. It is easy to blame the government for the agrarian unrest. When we complain of the operation of the market as consumers, we are as much to blame.

Because farmers have no savings and, thus, no security, agriculture has become a fragile system that breaks under the slightest downside. Farmers need just returns to fulfil their role in producing food. India's nutritional security depends on their entrepreneurial energy.

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NEUTRON TO NYLON

Meat'n'Potatoes of Research



Debkumar Mitra

Twice in the last fortnight, what we eat has been in the news: French fries for all, and meat for pregnant Indian women.

Fries first. The verdict is out: keep French fries off your plate. Each of those deep-fried, golden yummy sticks carry a sinister message: early death. In the mind of the uninitiated, the colour of scientific truths is black or white. In reality, a new discovery is more like taking a step towards uncovering the truth. So, fried potatoes, when consumed over a long period of time at a given frequency, most probably raise the risk of early mortality in humans. But science has to uncover more truths to come to a yes-or-no conclusion.

The study found that eating two to three portions of fried potatoes every week may raise the risk of early death by twofold. Researchers from various institutions in Italy, including Brescia University Medical School

and CEINGE Biotechnologie Avanzata, published the study. 'Fried potato consumption is associated with elevated mortality: an 8-y longitudinal cohort study' in The American Journal of Clinical Nutrition.

Two interesting facts emerge from the paper. One, the research team set