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Line up the right reforms first

When it comes to creating jobs, patchwork solutions won't do

Besides absorbing the 10-12 million youth who are joining the labour force every year, a recent Confederation of Indian Industries (CII) report has rightly added 5-8 million more jobs needed to absorb Indians who are leaving farms to seek work in manufacturing and services. Going by the higher end of such estimates, this means a national requirement of 20 million new jobs a year. In contrast, the major services and industrial sectors of the formal economy together barely generated 150,000 new jobs last year including heavy industry and software.

India largely missed the manufacturing boom that lifted so much of Asia out of poverty between the 1970s and 1990s thanks to populist labour and land laws which destroyed the competitiveness of industry. Most developed economies saw manufacturing employment reach about 25% of their workforce before making the switch to services. India's manufacturing employment has never gone above 15% and is now about 12% and declining. Manufacturing jobs are socially important as they absorb poorly skilled farm labour and provide a springboard for the next generation to acquire the skills to move into services. Each government has sought to address this with a patchwork of solutions. These have included financial handouts to keep unviable farms staggering along for a few more years, creating large numbers of pointless government jobs, import substitution strategies and, as the present regime is doing, encouraging self-employment. But this band-aid approach did not provide real solutions.

The BJP government deserves to be commended for addressing the structural problems that hold back the manufacturing front and investing in a future economic model built around digitisation. However, its tolerance of the cultural campaigns against, for example, the meat industry means it may still destroy as many jobs as it creates. Jobs are the country's main challenge and New Delhi needs to prioritise it as the main yardstick by which to judge almost all policies.

Farm loan waivers are becoming a contagion

Costly bailouts will perpetuate a bad credit culture and undo fiscal deficit gains

Maharashtra and Madhya Pradesh have now joined a lengthening list of states that have announced costly bailouts for farmers. Their profligacy is bad news for India. First, it perpetuates a bad credit culture. Second, it threatens to undo the recent years of parsimony by the central government. It also worsens inflationary risks and can limit the scope for interest rate cuts. Over time, states' revenues have stagnated but spending ballooned, pushing their combined deficits to their highest in 13 years. Sure, our states are sub-sovereign. But writing off loans can affect the national balance sheet through fiscal slippages and inflationary spillovers. The financial rectitude of the Centre helped cut the annual deficit from 5% of GDP in 2013 to about 3% now. But our debt-to-GDP ratio still stands at about 68%, one of the highest among the emerging economies. That must fall under 60% over the next three years to warrant a rating upgrade. The financial profligacy of states can derail this.

State finances are already under strain. In 2015-16, the consolidated Gross Fiscal Deficit - Gross Domestic Product ratio of states breached the 3% ceiling for the first time in a decade. Things are unlikely to get better soon. States are obliged to take over the debt of power utilities under the UDAY scheme, budget for distortions in food credit accounts and provide for off-balance sheet spending.

Part of the problem is the central government. It underwrites states' borrowings and forces banks, insurers and pension funds to invest depositors' money in their bonds. Unless the government ends this self-defeating sop, the states will feel little need to balance their books. The answer lies in disciplining spending. One way can be to limit the federal guarantee on their borrowings, especially for politically expedient projects such as farm loan waivers. Once markets discriminate between prudent spenders and reckless borrowers, easy money will dry up.

line of sight

SRINATH RAGHAVAN



A new ecosystem for private players

Make the defence industry a centrepiece of the Make in India scheme but choose partners wisely

The government has recently unveiled the long-awaited 'Strategic Partnership' policy for defence production. This policy is aimed at creating and nurturing an ecosystem for private defence manufacturing in India. The government has all along insisted that the defence industry would be a centrepiece of Make in India. Strategic partnerships with select Indian firms have long been regarded as essential to enabling significant private sector participation in defence manufacturing. Over a decade ago, a committee led by Vijay Kelkar recommended that the government should identify certain firms based on their technical, managerial and financial strength as 'champions' or 'Raksha Udyog Ratna' and circulate tenders for major systems to these firms. A subsequent committee was constituted led by Probir Sengupta identified 13 Indian firms that could be designated along these lines.

But the government of the day balked at the thought of being seen as favouring some companies over others. This concern was overblown and it effectively stymied private sector participation in defence. Although the NDA government has taken its time to approve the policy, it has done well in thinking through its underlying rationale as well as

the practical steps needed to unleash the Indian private sector in this critical domain. Nevertheless, there are some lingering problems that the government will need to address as it moves along.

The policy acknowledges that there are few Indian private players with experience in integrating complex defence systems and sub-systems. Hence, it seeks to provide a framework for nurturing such capabilities over time. In the initial phase, the government will identify one Indian private entity as a strategic partner to manufacture one major system: single-engine fighter aircraft, helicopters, submarines, and armoured vehicles. This at once caters for the systems most needed by the armed forces and encourages specialisation among Indian firms. The strategic partner will be picked through a well-defined process that will include an assessment not just of the technical capabilities of the entity, but also its plans for indigenisation over time and its ability to foster a network of domestic suppliers. Ultimately, though, the selection of the SP will be based on "the price quoted". LI will remain the final arbiter.

In parallel with this process, the government will also prepare a short list of foreign Original Equipment Manufacturers (OEMs) with whom the aspiring strategic partners can



The Tejas fighter plane is made in India
RAJ K RAJ/HT PHOTO

tie up for technology transfer. The main criterion on which the OEMs will be identified is the extent of technology they are willing to pass on. The joint ventures between a strategic partner and an OEM cannot, however, have more than 49% FDI. They must be owned and controlled by resident Indian citizens. The OEMs, for their part, must obtain prior licence for technology transfer from their own governments.

These provisions are likely to prove onerous. For one thing, the FDI ceiling of 49% will

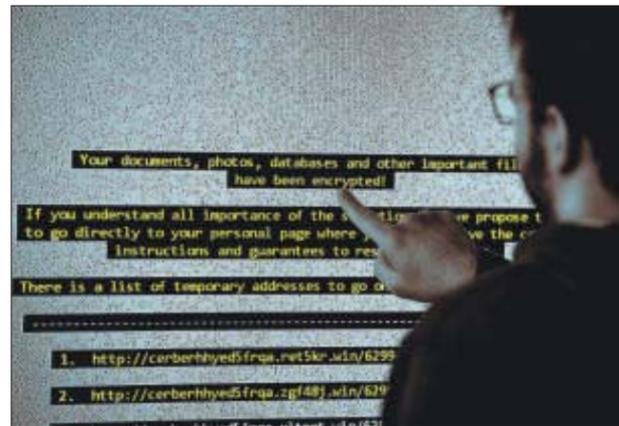
give pause to foreign manufacturers in tying up with Indian firms. If the experience of the past few years is anything to go by, then OEMs will be reluctant to transfer significant technology for production in India under an arrangement that gives them insufficient control. To be sure, the policy does talk about protecting the property rights of OEMs. But this may not be sufficient assurance. What's more, the governments of the OEMs may also be disinclined to permit significant technology transfer under these conditions.

In consequence, OEMs may choose to supply the advanced sub-systems and components from abroad while enabling the Indian strategic partner to manufacture only lower-end technology in India. On the flip side, the Indian firms may be uncomfortable with the idea of being forced to bear all the risks associated with the venture without commensurate control over key technology.

Firms on both sides have voiced such concerns in the past. Instead of brushing them aside, the Ministry of Defence could consider other options to circumvent the problem of foreign producers being majority stakeholders. The government could mandate that the control of the entity cannot be transferred without its concurrence, that it be managed and staffed exclusively by Indians. Such workarounds could help secure higher levels of technology transfer, which alone can ensure that the larger, strategic objectives of the policy are met.

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CYBERCRIME



Cyber warfare is highly asymmetric, where the perpetrator could sit in any location across the globe, and target military or civilian systems
AFP

Why we need to do more to repel cyber attacks

Development of indigenous technology and security solutions are imperative for a safer digital landscape



Our digital terrain is increasingly under attack. First came 'WannaCry', a ransomware that locked up lakhs of computers spread over 150 countries demanding that the victims pay \$300 or more to get their data back. Within days, this was followed by 'Fireball', a malware that could turn web browsers into zombies, and cause victims damage ranging from the theft, spying and manipulation of their data, to download of dangerous files onto their computers.

Fireball, probably the largest cyber attack ever, is estimated to have hit more than 250 million computers worldwide, with over 25 million of them in India. Notably, both the attacks are linked to Chinese cyber criminals. The same period also saw a major security breach, where an unidentified hacker stole the data of more than 17 million users from the food delivery startup - Zomato. This string of attacks, all within the last four weeks, is ominous for a post-demonetisation India trying to transform itself into a digital economy.

The Internet of Things (IoT) is expected to be one of the pillars of our modern-day digital economy. Every physical device, from our phones and household appliances, to sensors and vehicles, to large-scale infra-

structure systems including nuclear plants, already have their control and monitoring procedures digitised, and connected to the internet.

The Indian Government created a nodal agency, Computer Emergency Response Team (CERT) under the DIT, and a National Technical Research Organisation (NTRO) under the NSA in 2004. Even afterwards, some of our most sensitive departments from the PMO, MHA and MoD, besides the PCs of several senior officials have been subjected to repetitive digital infiltration attempts, from groups such as Dantis Network, a Chinese espionage group, confirmed a 2016 report by Russian security firm, Kaspersky.

Cyber warfare is highly asymmetric, where the perpetrator could sit in any location across the globe, and target military or civilian systems. Cyber threat awareness campaigns, along with regular updates and installations of security solutions, would mitigate the assault effectiveness. WannaCry only affected computers running on a previous version of Windows operating system, those without the latest security patch.

A large proportion of technology components in our critical sectors like communications, energy, banking and defence are imports, a worrying scenario during this turbulent era of unstable geopolitical alignments. Development of homegrown technology across sectors, along with complementary indigenous security solutions is also imperative for a safer digital landscape.

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Al Jazeera: The good, the bad, and a little ugly

Despite blemishes, the channel remains a beacon in a region where freedom of expression is at a premium



The news reader was in the middle of a bulletin, giving an account of Egyptian army tanks storming a Cairo mosque inside which Muslim Brotherhood members were reportedly holed up. It was high drama at prime time and Al Jazeera was at the top of its game covering the tumult in Egypt in the wake of the military takeover some years ago.

But then the script went wrong. The news reader got carried away and said gunshots were also being fired from inside the besieged mosque. What she said went against the narrative that the Qatar-owned, Doha-based channel long accused of being a Muslim Brotherhood sympathiser wanted to build and she was quickly replaced. After a brief news break, the bulletin continued with a different anchor in place. The alacrity with which Al Jazeera acted that night in 2013 also exemplifies why other nations in its neighbourhood such as Saudi Arabia, Egypt, Bahrain and UAE are alarmed. The channel's output is sleek and the journalism stellar, but also often rabid and raucous for a region that has little press freedom.

The channel's rousing rolling coverage is also at the heart of the ongoing diplomatic dispute between Qatar and the Saudi-led bloc of nations. Among everything else they want Qatar to do before ties could be normalised, the countries want Al Jazeera to be shut down and the 'menace' to be stopped. Why so many countries see red on watching Al Jazeera is not hard to guess. The Gulf is no place for press freedom and that includes Qatar, which closed an independent news website, Doha News, only recently. Much of Al Jazeera's opprobrium is reserved instead for rest of the region where rulers, mostly despots, are open to peans but loath criticism. Name the country and they all have either jailed Al

Jazeera journalists or kicked out the channel altogether at some point or the other over its reportage.

The journalism that the channel practices is mostly exemplary. Al Jazeera's deep pockets allow it to employ the best and brightest and the newsroom drawn from all continents and across nationalities is a mini-United Nations. More boots on the ground in places such as the Arab world and Africa gives it an edge over other international rivals.

But the fault lines simmer underneath and it is mostly related to religion. Beneath its veneer of multiculturalism and globalism, Al Jazeera in its core remains a Muslim Arab channel. Top executives and many senior-level editors could be westerners, but critical editorial calls are necessarily taken by those who are from the region.

That the line between journalism and activism is often blurred is well to be expected given the backgrounds and personal preferences of senior staff. Many in the Al Jazeera newsroom were agast and outraged seeing Muslim Brotherhood's Mohamed Morsi being toppled by the military as Egypt's president, primarily for being both Muslims and Egyptians. Al Jazeera has Qataris on the rolls, but they are far outnumbered by Palestinians, Jordanians, Iraqis and others.

Getting emotional is human nature and raw emotions swept the Al Jazeera newsroom during the US-led invasion of Iraq in 2003. Tens of thousands of civilians died, but woofs of excitement broke out in the Doha newsroom only when news trickled in about the death of an American soldier.

Taking positions on issues and events, however, do not take away any shine off the breathtaking exploits of the Al Jazeera journalists. Tareq Ayyoub died in Kabul; hit by an American tank shell just when he was readying to go live. Journalist Sami al-Hajj spent years in the Guantanamo jail; picked up from the Afghanistan-Pakistan border on the unproven suspicion of being a member of the Taliban. To stifle the voice of Al Jazeera, which prides itself for being the 'voice of the voiceless', will be criminal.

However hypocritical it may be when it comes to covering Qatar, the channel undoubtedly has given voice to at least some in the Arab streets ruled by some of the worst despots. Like every other organisation, Al Jazeera suffers from cliques and cabals. But these blemishes notwithstanding, Al Jazeera remains a beacon in a region where freedom of expression is at a premium.

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innervoice
LET US BE LIKE THE CANDLE THAT BURNS TO GIVE OTHERS LIGHT

PP Wangchuk

All of us want to be good people. But do we really try? I believe most of us on this planet are good people, and the number of those who are 'not good' maybe far outnumbered by the good people.

Who is a good person? One who is loving, kind, compassionate, helpful? These are attributes of mind and heart that can make any one of us a Buddha or a Gandhi in nature. Such a person sees everything positively and makes it a point that no step

be taken or no words be spoken that will hurt or harm others. In fact, the word 'love' is the most powerful word in the English lexicon, and hence a loving person is an embodiment of all other qualities like kindness and compassion that help spread happiness all around by making life's journey easier.

That makes you have a wonderful feeling as if you have done something which is greatly rewarding and satisfying. Of course, any act of kindness will always give you good sleep and peace. And, it will

spread the roots of love and compassion all around you, creating a world that has nothing but the goodness of all the virtues of head and heart.

And, let us always be very particular about reminding ourselves every morning of the proverbial saying: "Good people are like candles; they burn themselves to give others light."

Inner Voice comprises contributions from our readers. The views expressed are personal
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