Cracking the coconut commerce puzzle

Value addition is one of the chief requirements for coconut to become a commercially lucrative crop

FARM VIEW

SURINDER SUD

Lack of adequate value addition is among the major factors holding coconut back from becoming a lucrative commercial crop. Demand for coconut oil has been stagnant worldwide because of competition from relatively cheaper alternatives like palm oil. In India, coconut oil's use as a cooking medium has remained confined to Kerala and Keralites. Fresh coconut water is in good demand almost all over the country but meeting this demand requires bulky nuts to be hauled over long distances entailing heavy costs. Value addition of coconut through processing is hardly eight per cent at present. It needs to be stepped up to at least 25 per cent to produce conveniently marketable products to make coconut plantations economically viable. Other major coconut growing countries, notably Indonesia and Malaysia, have also taken this route to support coconut cultivation though the average coconut yields in those countries are relatively far lower, less than half of India's 11,277 nuts per hectare (2012-13 figure) in most cases.

Fortunately, green shoots are now noticeable in the coconut-based agro-industrial sector. The technology for commercial-scale production of a large number of products that are likely to command good consumer demand is being generated by the Kasaragod-based Central Plantation Crops Research Institute (CPCRI) and other farm research bodies. The CPCRI alone has licensed complete technology packages for the production of conventional as well as innovative coconut products to around 160 entrepreneurs in the past two years, according to institute director P Chowdappa. These value-enhanced items include virgin coconut oil (used in cosmetic and pharmaceutical industry), coconut chips, coconut honey, jaggery (gur), sugar, ice cream, chocolates and sweets. Besides, methods have been perfected to process and package some traditional health and wellness products like coconut water and Kalparas (fresh coconut sap popularly called *neera*). Growing demand for such items is expected to spur more entrepreneurs to set up coconut processing units.

Packaged *neera* is viewed as one of the important value-upgraded coconut products with substantial business potential. A major glitch in expanding the Kalparas market in the past was its highly perishable nature as it started fermenting even during the long process of its extraction from the coconut inflorescence. But new processing and preservation techniques can help overcome this problem and extend its shelf life to around 45 days for easy marketing. With this breakthrough, it seems possible for a farmer tapping as few as 15 coconut palms for Kalparas to earn a net profit of around ₹45,000 a month, say CPCRI scientists.

Luckily, the Coconut Development Board is also encouraging the processing sector. It has recently sanctioned 38 projects to promote research, processing and marketing of coconut products. Of these, 32 are for diversification and processing of coconuts while some others are aimed at market promotion.

However, price volatility remains a critical issue that needs urgent attention. No doubt, the emergence of coconut-based agri-businesses would help reduce price fluctuations to some extent, but this alone may not suffice. The need truly is for firm and legally enforceable contracts between growers and end-users for assured marketing of coconuts at pre-agreed prices. This should be made part of ongoing agricultural marketing reforms. At present, while the production cost is estimated at ₹9 per nut, growers recover hardly half of it by selling the produce through conventional marketing channels.

Experts suggest growing of companion crops in coconut fields to go in for multi-species and multi-storeyed cropping systems to boost net returns. The list of crops that can go well with coconut under these systems is fairly long and includes commercially important crops such as pepper, banana, nutmeg, pineapple, ginger, turmeric and elephant foot yam. CPCRI experts reckon that coconut-based mixed farms can enable farmers to earn an estimated annual income of ₹3.7 lakh per hectare, against about ₹15,000 from single-cropped plantations. The earnings can be raised further by integrating coconut farming with financially rewarding activities such as dairying, poultry and aquaculture. Such approaches, along with higher levels of processing and value addition of the produce, can ensure greater prosperity for coconut growers.

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CHINESE WHISPERS

Who's the bigger celebrity?

Photographers went berserk as HDFC Chairman Deepak Parekh (*left*) walked into the press conference where plans of the Shriram Capital-IDFC Group merger were unveiled. Few noticed a rather lean and smiling gentleman sitting in the front row, enjoying the events as they unfolded. "Why are you clicking my photos when the grand old man of Indian financial system and the founder of Shriram Group, R Thyagarajan (*right*), is present here? He is older but much healthier than me. Take his photo," Parekh said. Photographers promptly abandoned him and trained their flashbulbs on Thyagarajan, much to his embarrassment. Once on the dais, Thyagarajan got his "wish". "I was always in awe of this celebrity called Deepak Parekh. Now I get a chance to interact with him."

Tug-of-war in JD-U over VP choice

Not all is well in the Janata Dal-United (JD-U). On Tuesday, senior JD-U leader Sharad Yadav attended the Opposition meeting where the parties decided their common vice-presidential candidate Gopalkrishna Gandhi. But other JD-U leaders in Patna claimed that the party was yet to decide its course of action on the issue. The JD-U, led by Bihar Chief Minister Nitish Kumar, had decided to break ranks with the Opposition to support the Bharatiya Janata Party-led National Democratic Alliance candidate Ram Nath Kovind. Kumar continues to keep everyone guessing and walk the tightrope. Earlier, party spokesperson K C Tyagi had indicated that he would attend the meeting as Kumar's representative but Yadav put his foot down, which made Tyagi to opt out.

Payments conundrum

There has been word in the market that Facebook was planning a digital payments service for WhatsApp in India, the app's largest market. A P Hota, managing director and chief executive of the National Payments Corporation of India, was irked when asked if the government was awaiting the entry of Google, Facebook and WhatsApp in the digital payments space to help meet its target of 25 billion e-transactions this fiscal. He retorted that it was the job of banks, not multinational companies, to increase digital payments in the country. A job listing for a WhatsApp "digital transaction lead" for India had started a buzz sometime back about a digital payments service for the messaging app. The listing said the app planned to work with local banks and eventually "help scale global support for digital transactions on WhatsApp".

GST launch should pave way for repo rate cut

The RBI could wait for CPI inflation to settle and then reduce the repo rates. Or it could take a calculated risk by cutting the rates immediately

RAMAKRISHNAN T S

In the meeting held on June 7, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) decided not to cut the repo rate. The lone dissenting voice was that of IIMA professor Ravindra Dholakia, who wanted the repo rate to be reduced by at least 50 basis points from the present 6.25 per cent. The RBI, too, has reasons to abstain from a repo rate cut. After signing the new Monetary Policy Framework Agreement with the Union government in February 2015, the responsibility of maintaining Consumer Price Index (CPI) inflation becomes the only factor in deciding the repo rate. As per the agreement, it is mandatory for the RBI to maintain CPI inflation at four per cent, plus or minus two per cent, from FY 2017-18 onwards. However, the track record of the Indian economy shows that in the last 20 years average CPI inflation was about 6.7 per cent. Given this trend, the RBI's apprehension that a repo rate cut would make it impossible for it to maintain CPI inflation within the mandatory range is understandable.

However, much water has flown under the bridge between June 7 and now. Despite doubts and reservations, the goods and services tax (GST) was launched on July 1 by the Union government. As expected, some services and goods may cost more now than they did in the pre-GST regime. However, most of the essential goods that form the CPI basket are charged either a nil rate or five per cent in the GST regime. There is rumour-mongering by some to cause panic among people by comparing taxes on a few goods and services prior to GST with that after GST and claim that prices would be higher in the post-GST period. Most of these attempts compare the state value-added (VAT) tax with GST and claim that GST rates are higher than pre-GST rates. The GST is a single tax that subsumed central excise duty (Cenvat), additional excise duties, excise duty levied under the Medicinal and Toilet Preparations (Excise Duties) Act 1955, service tax, additional customs duty (known as countervailing duty or CVD), special additional duty (SAD) of customs (four per cent), surcharges and cesses, VAT or sales tax, luxury tax, Octroi and entry tax, purchase tax and state cesses and surcharges.

It is true that every commodity or service does not entail all the central and state taxes, but most goods do pass through more than one tax. For instance, for a biscuit packet, all taxes put together (central excise is eight per cent and sales tax or VAT is 8-16 per cent by various state governments), the consumer paid about 16-24 per cent as tax in the pre-GST regime. In the GST regime, he will pay 18 per cent. The basket that constituted about 50 per cent of items considered for CPI calculations are kept out of the tax net or levied at five per cent in GST. Therefore, there is little scope for CPI inflation to increase in the post-GST period compared to that in the pre-GST period.

However, the benefit of GST in reducing CPI inflation goes beyond the reduced tax on essential items. The additional benefit from GST would emanate from the expected reduction in logistics cost. The cost of logistics is about 14-15 per cent of total gross domestic product in India, whereas it is only seven-eight per cent in mature markets. Despite more than 26,000 km of four-lane roads in India at present, trucks have been travelling only about 280 km per day due to the wait at checkposts of state boundaries. With GST, trucks are expected to travel 460 km per day, barging through state boundaries. The GST, which makes trucks waiting at checkposts of state boundaries redundant, should ideally reduce the cost of logistics from the current 14-15 per cent to 9-10 per cent. This means the cost of goods and services should reduce. Moreover, the logistics cost constitutes about 25 per cent of the total cost paid by the consumer in the case of agricultural produce. Given the perishable nature of agriculture produce, the price of agricultural produce, which has about 50 per cent weightage in CPI, should also reduce with faster movement of goods. However, there is a caveat. Reduction in prices can happen only if all stakeholders in the supply chain, whose costs have reduced with the introduction of the GST, cut prices of products and services in proportion to the decreased logistics costs and tax rates. The GST law has an anti-profiteering provision that makes it mandatory to pass on the benefit due to reduction in tax rate or from input tax credit to the customer. There is, however, a big question mark over how the Union government and state governments would be able to ensure that savings in cost due to GST are passed on to the customer.

ILLUSTRATION: BINAY SINHA

By all these accounts, it looks as if there is every possibility that CPI inflation would decrease to four per cent or less at least in the last two quarters of FY 2017-18 and thereon. The right environment to boost GDP growth has arrived with the introduction of the GST. However, the repo rate cut is indispensable to add momentum to India's GDP growth rate. Unlike dearness allowance, which is revised based on inflation in the immediate past, the RBI speculates the inflation for the next one year and devises its monetary policy accordingly. The RBI in its policy review made an inflation forecast of 2-3.5 per cent during the first two quarters and 3.5-4.5 per cent during the third and fourth quarters of FY 2017-18. It is not known whether the forecast of inflation included the comprehensive positive impact of the GST such as reduction in taxes and cost of logistics. If the positive impact of the GST was accounted for by the RBI in the forecast of inflation, there is a case for a repo rate cut of, say, at least 25 basis points. If it was not considered, there is a very strong case for a repo rate cut of 50 to 100 basis points, as GST may even reduce inflation to less than two per cent.

The RBI has two options. It could wait for inflation to settle down to four per cent or less due to the positive impact of the GST and then introduce repo rate cuts. The rate cuts cannot immediately boost the economy as repo rate cut and borrowing take time to bring about the change. So, if the RBI goes for a wait-and-watch approach, it may not augur well for boosting GDP growth in FY 2017-18. The second option for the RBI is to introduce an immediate repo cut of at least 25 basis points for each quarter in the next three quarters of FY 2017-18 and add momentum to the GDP growth rate. The first option represents conservatism, which is not bad by itself. But given the need to boost the GDP growth rate in the last two years of this government, the calculated risk of reducing the repo rate is not bad either. It is to be seen whether the RBI chooses conservatism by not touching the repo rates or takes a calculated risk by cutting them.

The author is an IIMA doctorate teaching at TAPMI Manipal. Views are personal

BUSINESS LIFE

Buy bad loans along with groceries online

Alibaba-owned site offers customers in China distressed debt at hefty prices

BLOOMBERG NEWS

Among the sneakers, diapers and pet food for sale on Taobao, China's biggest e-commerce platform, is a listing that may take up a little more space in the online shopping basket.

For 4.15 million yuan ($610,000), customers on the site owned by e-retailing giant Alibaba Group Holding Ltd can bid for the debt of a steelmaker from Zhejiang, a coastal province in eastern China. The company has failed to pay back a 9.95 million-yuan loan, including interest, so a distressed asset manager is auctioning it off to the highest online bidder.

It's not the only bad debt for sale on Taobao, which translates roughly as digging for treasure.

Used by millions of Chinese to buy everything from clothes to food and electronics, the platform, known for its bargains, typically markets more than 1 billion yuan of soured assets a day, according to Bloomberg calculations. Recent listings include a portfolio of 118 non-performing loans from some companies in Yunnan province, a villa seized by a bank in the southern canal city of Shaoxing, and a property in central Beijing that's also in default.

"Financial technology and e-commerce in China have reached a high level of sophistication," said Xia Le, chief Asia economist at Banco Bilbao Vizcaya Argentaria SA in Hong Kong. "Online platforms are levelling the playing field in the distressed debt market as it means everybody gets access to the same information."

China's embrace of e-retailing is helping it tackle another by-product of the country's rapid economic evolution — the rise of bad debt.

Slowing growth and an uptick in corporate defaults have fuelled the market, with non-performing loans at commercial banks more than doubling over the past two years to 1.6 trillion yuan as of the end of March. As Beijing pushes lenders to find market-oriented ways of dealing with soured loans, interest in distressed debt has climbed, spurring banks and asset managers to look beyond traditional venues like auction houses and exchanges to dispose of the assets.

China Cinda Asset Management Co — one of the country's biggest distressed asset managers, and the firm marketing the steel company's debt — said last month that it is collaborating with Alibaba to set up a special section on Taobao to auction its wares. Though Alibaba declined to provide data on actual sales, the advertising of such loans shows how interest in the market for China's distressed debt is developing.

Following Taobao's lead, more than 50 other websites marketing their services to banks and other sellers of bad loans emerged in China in the first half of last year, according to a March report from PricewaterhouseCoopers LLP. More than 20 financial institutions are listed as partners on Taobao's auction platform for soured assets, including Shenzhen-based Ping An Bank Co, Beijing's China Minsheng Banking Corp and China Citic Bank Corp.

But bad-loan investing isn't like trading equities or even ordinary debt, which raises questions over the opening up of the market to rank-and-file investors.

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For 4.15 million yuan, customers on the site owned by e-retailing giant Alibaba Group Holding Ltd can bid for the debt of a steelmaker from Zhejiang BLOOMBERG

LETTERS

Denial of patients' right

With reference to Veena Mani's report, "Hospitals charging over 500% for angioplasty devices: Maharashtra FDA" (July 11), apart from overcharging, hospitals are reluctant to part with patients' medical records although they have a right over them.

Patients trying to get these records will face a "Chinese wall". They are not allowed to even read their medical records. Even after a patient's death, the records are not given to his or her family, on the pretext that these would be used for research. If a patient is admitted to a hospital, specialists who the patient has not even asked for, visit him or her, and their visiting charges (₹1,000 or more) are added to the patient's bill — a novel method of fleecing.

The UK has the Data Protection Act, under which patients can demand their medical records from a hospital. India needs such a law. Quality health care at affordable rates still remains a luxury for a large section of the population.

Deendayal M Lulla Mumbai

Religious tolerance

With reference to the report, "Terror attack on Amarnath yatra: 7 pilgrims killed, 19 injured in Anantnag" (July 11), the enormity of the carnage is yet to sink in.

The tragedy is further proof that the Kashmir Valley is now a changed place. Locals used to carry Amarnath pilgrims on their shoulders to the cave shrine. Now the pilgrims face threat to their lives from militants. Not sparing pilgrims is like not sparing patients, children and the elderly.

For all the talk of the growth of Wahabist ideology and radicalisation in the Valley, the majority of Kashmiris have been repulsed by the attack. Beefing up security helps, but that alone cannot significantly improve the security situation and ensure the safety of pilgrims.

It is sad that syncretism is becoming a casualty of clashes along religious fault lines. The symbolism of the killings is frightening and accentuates religious fault lines. Still, we must cling to the notion of common humanity and refuse to play into the hands of militants and religious extremists.

Some say the attack was a failure of the state machinery, but the fact is, it was something more than that — it was a failure of the imagination as well. The source of the problem resides in the fact that we often fail to imagine the lives of others, their cultures and religions and are unable to respect what is alien to our own experience.

Religious tolerance is necessary to prevent the collapse of relationships and the descent into hell. Unrest in the Valley is a reality; it has to be dealt with by addressing its root causes. The government should initiate dialogue with disaffected Kashmiris and take steps to fulfil their genuine political aspirations. It is futile to rely on the military and its harsh methods for an enduring solution.

G David Milton Maruthancode

Reform with result

Apropos Debashis Basu's column, "Bad loans: The bungling and farce continues" (July 10), despite various measures by the government and the Reserve Bank of India, the natality rate of bad loans far exceeded the mortality rate, leading to the current pile-up of huge stock.

Experiments and measures undertaken have hardly fetched results. This points to the fact that the executed measures or reforms are neither effective nor relevant.

The cascading effect of elevated bad loans is explicit in every segment of the economy. At a time when the economy is starved of investment, undeterred growth of bad loans is pulling down credit expansion and investment.

Demand for credit has to be created and investment for manufacturing activities should get priority. Quality credit, its speedy delivery and timely recovery are of paramount importance to bankers.

The government and the banking regulator should initiate necessary action to ensure continuous coordination between various agencies to stem the growth of bad loans.

V S K Pillai Changanacherry

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HAMBONE

BY MIKE FLANAGAN

Business Standard
Volume XXI Number 233
MUMBAI | WEDNESDAY, 12 JULY 2017

An employment crisis

Govt must focus on jobs-enhancing structural reform

Concern has consistently been expressed that the Narendra Modi-led central government has not done enough to ensure that employment is expanding. This is perhaps the crucial economic challenge before India, which has an army of unemployed young people; unless this demographic transition is taken advantage off, it will turn into a demographic catastrophe. What is worse, some have argued, is that several government policies – especially the sudden withdrawal in November last year of high-value currency notes – would have made the problem of unemployment and underemployment worse.

There is now evidence that strongly indicates jobs have likely declined in the first quarter of calendar year 2017. Large-scale household surveys by the Centre for Monitoring the Indian Economy, or CMIE, have revealed that estimated total employment declined from 406.5 million during the four months between September and December 2016 to 405 million in the four months between January and April 2017. Of course, the last four months of any year are good months for employment due to kharif crops, but it is important to note that this evidence is in keeping with other indicators as well as anecdotal accounts suggesting that labour-intensive sectors suffered during the demonetisation period. While, according to the survey, those employed in the same quarter in the previous year numbered 401 million, the labour participation rate was 44.3 per cent in the period between January and April 2017 instead of the 46.9 per cent recorded in the equivalent months a year earlier. Thus this is more than just a seasonal effect. The fall in labour participation is particularly worrying in a country with a favourable demographic profile — it indicates young people are not finding jobs.

The government must now cease being in denial about the effect of its policies on employment growth. While earlier estimates from industry bodies about job losses have been rubbished by the authorities, this more large-scale survey – based on a sample size of over half a million adults – should surely be taken seriously. Labour-intensive sectors that were in any case suffering from the private investment slowdown then had to contend with stuttering consumer demand, the fallout from demonetisation, and now the effects of the introduction of the goods and services tax, or GST, which might have a differential effect on smaller and larger companies.

It is past time for the government to focus more specifically on jobs-enhancing structural reform. It may be tempting to respond to an employment crisis by populist measures, but that will only be harmful for sustainable job creation in the medium and long terms. The root cause of the problem is the shortage of skills, the stunting of the Indian manufacturing sector, and perverse incentives that do not allow companies to grow and take advantage of abundant cheap labour. These require structural reforms to labour, land and capital markets, as well as a sustained focus on improving access to skills and vocational training in cooperation with companies. Jobs are the first priority. It is not too late for the government to reverse course and get its priorities straight — but it soon might be.

Their border too

Indo-Bhutan relations should not become a casualty

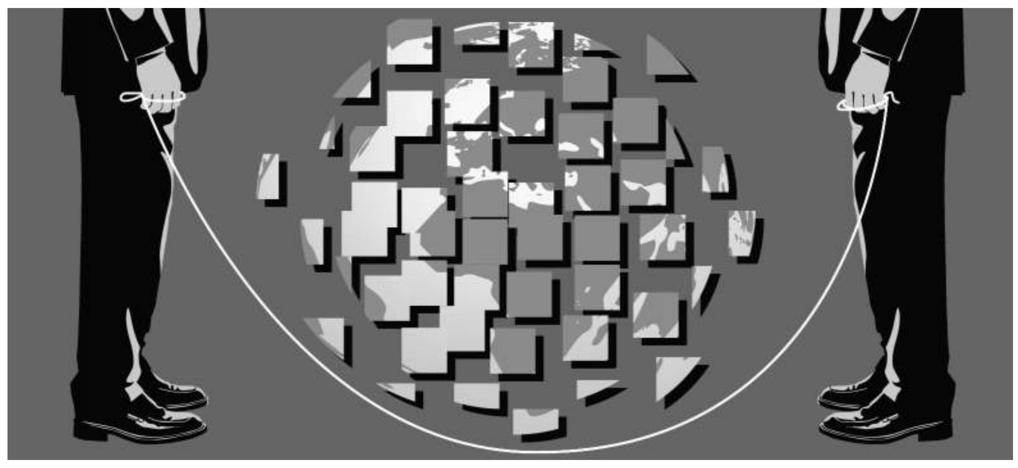
In spite of discreet efforts from the Indian government to tone down the border confrontations between Indian and Chinese troops, the story has continued to stay in the headlines. Some such clashes are inevitable as both countries ramp up infrastructure spending on their respective sides of the border. A more sensible and less extreme approach must be devised that ensures that these incidents do not poison Indo-Chinese relations more generally. As the foreign secretary reportedly said, such incidents have happened before, and both governments will have to continue to manage their fallout.

However, there is one additional wrinkle to this particular confrontation that must be taken into account: The fact that some of the areas in question are, in fact, in dispute between China and the Kingdom of Bhutan. Beijing has already chosen to use this as a club with which to beat New Delhi. Worse, it may use this as a handle to introduce a wedge into the very close relations between India and Bhutan. The makers of Indian foreign policy must be very careful to ensure that this does not happen. Naturally, it is up to Thimphu to make its own foreign policy, as has been the case for some time. But the Indian and Bhutanese economies are unusually interdependent, and the social and cultural links very close. The administration in Bhutan also frequently relies on capacity provided by New Delhi. Thus, in spite of whatever China's diplomats might hint at, it is not surprising that India and Bhutan see such disputes similarly.

But New Delhi must also remember that public opinion in its neighbours is a real and relevant force, and must not be treated with cavalier disregard. Such disregard in the past has led to avoidable crises; India's diplomats are striving to recover lost ground in Nepal, for example. If Bhutan is inaccurately painted as being merely a puppet of India's foreign policy, then there will undoubtedly be public pressure in the kingdom to demonstrate otherwise. The consequences of such pressure will not be to New Delhi's liking. It must be doubly careful, therefore, to ensure that it does not appear in the eyes of the world, and especially of Bhutan's people, to be arrogating to itself the right to make decisions for Thimphu. After all, Thimphu's position on the border dispute dovetails with that of India because of shared interests, not because of any untoward pressure from New Delhi.

China has sought, over the past decade, to wean away from India's orbit many of the countries in its immediate neighbourhood. In some, such as the Maldives, it has been partially successful; in others, such as Sri Lanka, it has faced political setbacks. It is vitally important that Bhutan not be added to this list of countries. More than a decade ago, India reset relations with Bhutan on the basis of mutual respect and genuine friendship. These principles should continue to be paramount today.

ILLUSTRATION BY BINAY SINHA



G-20 and crumbling world order

India should engage more with OECD nations to have a greater say in the norm-setting process

The role of the G20 as the premier forum for international economic coordination continues to diminish in a world where the ills of economic stagnation, widespread unemployment, growing inequality, and political and social strains resulting from large influx of migrants from conflict zones, are all being laid at the door of globalisation. The riots on the streets of Hamburg in Germany, with serious incidents of violence and arson, were a telling counterpoint to a gathering of world leaders, deliberating on the theme of "Shaping an Inter-connected World." The demonstrators on the street wanted less not more interconnection. Globalisation has lost its sheen and the G20 leaders have been unable to make a convincing case why it remains the best opportunity there is to meet the trans-national challenges which define our world. The multi-nation summit made headlines not for the decisions taken to collaborate on various pressing issues of the day but for providing the platform for eagerly anticipated bilateral summits, including one between Russian President Vladimir Putin and US President Donald Trump, and another between Mr Trump and Chinese President Xi Jinping. A handshake between Mr Xi and Prime Minister Narendra Modi on the sidelines of the meeting among the BRICS leaders gave hope that the continuing standoff between Indian and Chinese forces at Doklam may be defused. The Chinese spokesman insisted there had been no meeting at all but the two leaders just happened to be in the same room for the BRICS meeting. The Trump-Putin meeting was their first and lasted over two hours. It ignited hopes that under Mr Trump, US relations with Russia will move in a positive direction. The agreement on a ceasefire in Syria was an encouraging first step. While the Washington establishment continues to be implacably hostile to Russia and there may yet be damaging revelations of Russian meddling in US presidential elections to help Mr Trump win the presidency, it is clear that Mr Trump remains committed to a re-set of relations with Moscow and that could be good news for India. A Russia less beholden to China will shift geopolitics in our favour.

SHYAM SARAN

But in case that does not happen the Russia-China embrace will become tighter. Mr Xi was in Moscow in advance of the G20 summit and announced that Sino-Russian relations were going through their "best time in history". Underscoring this was an announcement that China would begin receiving natural gas from Russia through the Power of Serbia pipeline by December 20, 2019. A second Power of Siberia pipeline was also agreed upon. The two sides have set up a joint $10-billion investment fund to develop projects under the One Belt One Road initiative in the Eurasian Economic Union.

And Japan's Shinzo Abe came to Hamburg with a Japan-EU free trade agreement under his belt, having concluded the deal in Brussels on the eve of the G20 summit. This only underscores how much outliers the US and the UK (after Brexit) have become in global economy and trade.

The Trump-Xi meeting was important because the US President believes that China is not doing enough to rein in North Korea. The American THAAD anti-missile defence system has already been deployed in South Korea and this was condemned by both Mr Xi and Mr Putin. Mr Trump held out the possibility of unilateral U.S action to eliminate the nuclear and missile threat from North Korea if China failed to restrain its ally. This was followed up with US bombers doing several runs across South Korea in practice for what they might have to do in the North. There is every possibility that Sino-US relations may rapidly deteriorate if tensions on the Korean peninsula escalate. Perhaps that may take the heat off Doklam; or maybe that is just wishful thinking.

In a summit dominated by such issues what was achieved on items on its agenda? The commitment of the leaders to "a strong, sustainable, balanced and inclusive growth" from other recent summits remains though obviously, achieving this has become much harder. The Hamburg Action Plan, for example, acknowledges that the Brisbane ambition, put forth at the summit held there in 2014, of raising global gross domestic product (GDP) growth by 2 per cent by 2018 is unlikely to be realised, even though both growth and job prospects have improved. There continue to be serious downside risks in the longer term from weak productivity growth, income inequality and aging populations.

The leaders re-committed themselves to refrain from engaging in competitive devaluations and from using their own exchange rates for competitive purposes. This has appeared at each G20 summit and is reassuring.

However, it is on the trade and climate areas that there is backsliding. For example, at successive G20 summits there has been a commitment not only to fight protectionism but specifically to observe "standstill and roll-back of protectionist measures till the end of 2018." This commitment is missing from the Hamburg communiqué. Instead the fight against protectionism is qualified by recognising "the role of legitimate trade defence instruments in this regard." So clearly Mr Trump was able to get his way on this important question.

On climate change, the Hamburg Action Plan recognises that the US is exiting the Paris Agreement but that the rest remain committed to its implementation. This is the first time that dissenting positions have been separately recorded in the outcome document, another sign of the fragmentation of the global governance architecture.

India may take comfort from the fact that its focus on counter-terrorism found full reflection in the outcome documents but there was not much else to cheer.

In the assessment of progress achieved by various countries on domestic reform measures it was surprising that the goods and services tax (GST) was not acknowledged as a significant Indian achievement. There was only a proforma acknowledgement of the commitment to improve ease of doing business and the introduction of some derivative financial instruments as part of financial market reform.

Considerable amount of work of the G20 continues to take place in technical groups and these are mainly guided by the OECD secretariat. Thus the norms which are being developed and put in place in a number of areas are those favoured by OECD countries. It is not clear whether their impact on India's interests have been properly evaluated. Also this begs the question whether the time has not come for India to engage more closely with the OECD, if not become a member. That would at least give us the opportunity to make inputs in the norm-setting process.

The writer is a former foreign secretary and is currently senior fellow, CPR and a member of its governing board.

The making of foreign policy

In a period of two weeks, Prime Minister Narendra Modi visited the US, Israel, Portugal, Netherlands, and Hamburg, Germany, for the G20 meeting. The total number of bilateral meetings with heads of state/government at the G20 was a mind-boggling nine sit-downs, two pull-asides (not counting the one with Chinese President Xi Jinping), and several other conversations with US President Donald Trump, Russian President Vladimir Putin and others.

BLUNT TALK

HARDEEP S PURI

Why were these visits/interactions so important? Quite simply, in the short period of about six months or so, the world we live in has suddenly become a more dangerous place. This is not due to any one factor. The stakes are high and it is not certain that slow-moving foreign office bureaucracies can measure up to the challenges being thrown up. Interactions at the highest political level assume added importance and urgency.

The US, the world's largest economy with a gross domestic product (GDP) of $18 trillion has signaled a desire to go into retreat. When it opted out of the Paris Climate Accord, very few tears were shed. The rest of the world rallied behind the Accord with even more determination. Mayors of cities and chiefs of corporate entities reiterated their support.

More than the US, it is the behaviour of China, the second-largest economy with a GDP of $11 trillion, which is of concern. It is threatening the international order based on the rule of law. Events currently playing out in Northeast Asia, its conduct earlier, and on-going in the South China Sea and elsewhere points in the direction of China supporting North Korea and Pakistan to make three countries completely on the wrong side of the mainstream narrative. After China leveraged North Korea's irresponsible behaviour for a while and increased its bilateral trade in the first quarter of the year by 40 per cent, the US finally seems to have caught on with hopefully a slightly better appreciation of the games underway.

The belligerent bellicosity on display in South Asia is even more intriguing. China has a $60-billion trade surplus with India and is making a major investment in an automobile plant in Gujarat. Does that look like a country that wants to "teach India a lesson"? China-watchers on the Indian side have acquiesced in and rationalised its misbehaviour in the past. The outcome is then cited as a model of good border management.

Several hundred border incidents reportedly take place every year. An explanation for the on-going stand-off would appear to lie in developments relating to Tibet. India, bound by its friendship with Bhutan and equally mindful of its own vital interests, decided this time to act differently. This naturally led our China specialists to ask for defusing the situation. An apt Hindi expression *"ulta chor kotwal ko dante* (the thief reprimands the police officer)" sums up the situation. The Chinese maintain that India should withdraw its troops which means that China be allowed to continue road construction within Bhutanese territory and enhance India's vulnerability.

Does China look like a country that can step into the void that might be created by a US retreat and produce global public goods?

Would Israel and the US come to India's assistance, if hostilities were to break out with China? The question itself indicates a certain amount of delusional thinking. We need good relations with the US for a variety of reasons. The perception of good relations with Washington helps us in our dealings with Beijing. We also need good relations with Israel for a number of reasons, apart from cutting-edge defence technology from both. Both countries are democracies and hopefully favour a global order based on the rule of law.

Our Palestinian friends are quite happy with the de-hyphenation of the relationship. Far more important for us, is to carefully watch how Israeli-Saudi relations develop and what impact they will have on Iran. In an evolving scenario, each country must navigate its own course.

One of the more positive outcomes of the G20 meeting in Hamburg was the Trump Putin meeting. We need to encourage the US to keep the Russians engaged with a gradual reduction of sanctions rather than Russia joining China in the grouping of the irresponsible. Sixty per cent of our defence platforms are of Soviet/Russian origin. Israel accounts only for 6 per cent. Pakistan will begin to look increasingly like a client state of China following the China-Pakistan Economic Corridor. Our ability to deal with the situation in Jammu and Kashmir will necessarily have to factor this in.

Summiteering demands focused and carefully calibrated follow-up. The Indian support systems will be severely tested in the coming months.

The writer is a diplomat who served as permanent representative of India to the United Nations in Geneva and New York and the author of Perilous Interventions *(September, 2016)*

A few bright sparks

BOOK REVIEW

ALOKANANDA CHAKRABORTY

What do creators of high-growth brands do differently? Realistically, many things, and among them is maintaining an insatiable desire to understand the customer and what moves the needle for her. Whatever the means – through vox pops, keeping up with thought leaders (social media has made that easy now) devouring the seemingly endless volume of data thrown up by consumers' digital and physical footprint (not for the faint-hearted), or plain old fashioned observation – marketers behind great brands always look for everyday insights.

That is the fundamental hypothesis of *Spark: The Insight to Growing Brands* by Paddy Rangappa. Though we know that consumer insight is the basic building block of a great brand, a popular campaign and a sustainable strategy, few marketers or their teams know where to look for those insights or how to put them to use fruitfully. "While there are references to the role of insights in advertising, and how to recognise an insight, there is no literature on developing insights. This book fills that crucial gap," says the author in his introduction.

That is the primary task and differentiator of *Spark,* Mr Rangappa adds, and he does the job by taking a deep dive into the workings of great brands such as P&G, McDonald's and Coca-Cola and trying to unravel what makes them recognisable and successful. On the way, he tackles such issues as how these brands have grown their franchise, how their advertising engaged the target audience, how they turned hard data into knowledge and how they are leveraging the new marketing "conundrum" presented by the relentless spread of technology.

The most distinctive element of this book is that the rules presented here are tried and tested; they have been found to hold over a variety of conditions and countries. That is contrary to what most marketing books profess and indeed, many of the case studies in *Spark* offer evidence that much of modern marketing theory is not always firmly grounded.

A student of advertising or a marketing rookie could find it useful to grab a copy of this book. But if you've been in the profession for a while and have some hands-on experience you are likely to question or even disagree with parts of it. In the main, you will find that *Spark* ends up over-simplifying the business of advertising to a process aimed at increasing profitability and growth by increasing the brand's "mental availability" with consumers.

Good advertising, which is relevant, likeable and visually arresting, the author says, helps elevate a brand in the consumer's memory. These are certainly important drivers of a great campaign or brand growth. But they are not the only ones. If you are a marketer you really have to roll up your sleeves and think of creating new usage occasions (for example, Haldiram's following in the footsteps of McDonald's and offering breakfast); increasing the volume per usage occasion (Axe's "Spray More, Get More" urging people to spray all over, not just under their arms); or stretching a brand (Dettol soap to sanitiser, Horlicks health drink to biscuits).

Indeed, there are many other ways to grow a brand's franchise but they don't get a mention in sections in which the author talks of the sales impact of advertising. Is that because these points have been made before?

Then there is the creative process. Many other advertising professionals and theorists before Mr Rangappa have said the process of creating a great piece of advertising should be more intuitive, less structured and cannot to broken down into step-by-step processes. To that extent, creative thought is often contrasted with analytical thought, which is more rigid and precise.

Creativity does not just happen by luck — the author acknowledges that. He would like professionals to follow a structured process but the steps suggested thereafter appear a bit touchy-feely. Can an individual put seemingly random thoughts together into an ideal combination or solution simply by writing the perfect brief? Natural scientists and psychologists including Hermann Helmholtz, Graham Wallas and Jacques Hadamard have unravelled the creative process with precision but I am not even going there. Those studies were different in scope but if you have taken the pains to study them, the way some of today's writers describe the process would appear shallow, if not flippant. And frankly, I didn't even get why things like developing insights as a team would require a diagram for readers to understand (there is a diagrammatic representation of a three-step framework to writing insights also!).

The one chapter that has some real pearls is the one on building knowledge (Chapter 7: "Building knowledge: The Foundation for Insights"). The Dove case study, the transformation of the brand from a soap to a beauty product, the thinking behind the creative leap, the "insights" — all of it just fell in place. This book would have profited with more such examples. And why include those hypothetical brands and challenges (Real Foods' entry into food delivery market, for example)?

My Eureka moment was the piece on the transformation of the Nike print advertisement — it drove home the point that clients can often mess up a perfectly good piece of creative. The lessons apply equally to many other aspects of corporate life, but that's a different story.

SPARK
The Insight to Growing Brands
Paddy Rangappa
Simon & Schuster
193 pages; ₹499