

Israel: Formalising a Warm Partnership

India must still support an Independent Palestine

Prime Minister Narendra Modi's visit to Israel, the first by an Indian head of government, and his Israeli counterpart's warm reception mark a milestone. The partnerships and agreements that have been finalised are important but what makes this visit historic is the formal de-hyphenation of Israel and Palestine in India's foreign policy. Allowing for the development of India's open partnership in West Asia, it is not a question of choosing one side over another, but of putting in place relationships that are independent, strategic and mutually beneficial. The visit sends out a political signal to business to step up partnership, trade and investment.

It is no surprise that innovation, water, agriculture and terror dominated discussions. Israel is a leader in conservation and efficiency of water use, and improved agricultural productivity. These are crucial areas for India, and priorities for the government given its goal of doubling farmer incomes by 2022. The growing pressures on water exacerbated by climate change and rising demand make this an important sector. The \$40-million bilateral technology innovation fund in industrial development will help augment R&D and create a framework for partnership by Indian and Israeli researchers. The lacunae in India's cyber defences

should be a priority area of joint research. Terror is the other big-ticket issue. Mindful of India's relationship with countries in West Asia and the Gulf region, the joint statement does not specify any particular source of threat to peace and stability. Instead, it stresses on cooperating to combat growing radicalisation and terrorism, including cyber threats. The joint statement stresses on reliance on dialogue and restraint.

This visit does not signal India picking sides in the Israel-Palestine conflict. India remains committed to a resolution that is democratic and that ensures the rights of the Palestinians and Israelis are protected. In engaging with Palestine and Israel as separate entities, New Delhi has created the space to play honest broker should it choose to do so.

Don't Let States and Lobbies Abuse GST

The ongoing protest by traders in the textile hub of Surat and Ahmedabad against the imposition of a 5% goods and services tax (GST) on textiles is unjustified, given that the new levy allows manufacturers to claim credit for all the taxes paid on inputs, and lowers production costs. There is no rationale to exempt some sections from GST as it leaves the scope for others to make a similar demand. Already, 145-odd products are exempt from GST. The goal should be to remove these, not to add to the list. It will distort the tax structure, create systemic inefficiencies and dent governments' revenues. The GST Council should stand up to the demands for commodity- or industry-specific exemptions that spell patronage.

Estimates show that the country loses about 2.7% of the GDP on exemptions. Many food items have now been exempt from GST to ostensibly soften the blow on the poor. But an exemption should not be conflated with zero-rating, given that no input tax credit will be available to manufacturers of exempt items. Zero-rating is applicable only to exports under GST: a country does not export its taxes and, so, exporters are allowed to claim a refund on the input taxes paid by them. Barring exports, all products and services should attract a nominal levy in order to keep the GST chain intact. The GST Council must also try to tax products sharing a common HSN code at the same rate, to minimise classification disputes.

Large swathes of the economy — petroleum and real estate — should be brought under GST that creates audit trails to lower rates. States should abandon moves like Tamil Nadu's, of slapping an additional levy on movies over and above GST. The need is to move to a clutter-free tax system, now that GST has been rolled out to create a common market.

Millennia-old graffiti on Egyptian tombs prove some instincts never change

The Writing's Been on the Wall Quite a While

It is not gratifying to learn that the annoying practice of scrawling messages on historical monuments is not a recent phenomenon. Even if the analysis of some 1,000 bits of graffiti on the tomb of Pharaoh Ramesses VI in the Valley of the Kings provides valuable insights into the travel preferences of the ancients, it also indicates that our basic human instinct has always been to leave a mark on the metaphorical sands of time. Of course, this recent analysis by a team from Poland is not without interesting insights, including the fact that Egypt's hieroglyphics were Greek to the average Romans — and, presumably, vice versa — several millennia ago. It is also heartening to note that not only were tourists back in the day as unconcerned about not being able to read those pictographs as most of today's travellers are, they even conducted cheeky wall conversations spread over centuries.

The ancient period was not short on what may be deemed as guide books, including one by the 2nd century BC Greek poet Antipater of Sidon whose first list of the 'Seven Wonders of the World' has had so many updates down the centuries. So, it is not surprising that tourists from all over the known world were beating a path to Egypt's archaeological sights not long after Alexander himself — and leaving something of themselves behind.

Modi's historic Israel trip underlines how even as India attempts to 'Act East', it is 'Thinking West'

Finally, a Promised Visit



Dhruva Jaishankar & Shruti Godbole

Not that long ago, the words 'Not valid for travel to South Africa or Israel' used to be clearly written on all Indian passports. Narendra Modi's recent visit to Israel, the first by an Indian prime minister to that country, brings a long diplomatic arc to its natural conclusion.

Since normalising relations in 1992, the India-Israel relationship has grown to cover not just defence sales but also pharmaceuticals, infrastructure, information technology, tourism, entrepreneurship, and especially agriculture and water management. A prime ministerial visit was, therefore, long overdue, a fact recognised by Modi's host.

Welcoming his counterpart, Israeli Prime Minister Benjamin Netanyahu said, "Prime Minister Modi, we have been waiting for you for a long time, for almost 70 years, in fact." The India-Israel relationship may, in fact, be an old one, taking on new dimensions. But it now assumes greater importance for both countries given the changes underway across West Asia.

India has long had vital interests in the region. The first involves the safety and well-being of the almost nine-million-strong Indian diaspora in West Asia, who contribute remittances of around \$40 billion annually. Their security is also a politically sensitive issue for the Indian government,

and has necessitated evacuations of Indian nationals, whether from Kuwait in 1990, Lebanon in 2006, Libya in 2011 or Yemen in 2015.

The second interest concerns energy security, which is vital for the health and well-being of the Indian economy. About 60% of all Indian oil imports — and even more of its natural gas — come from West Asia, making India one of the major economies that is most dependent on the region for its energy needs.

A third consideration is security, including cooperation on counter-terrorism. This has required India to develop important, if sometime tacit, security- and intelligence-sharing mechanisms, as well as broader defence partnerships across the region. These critical Indian interests concerning the diaspora, energy and security have required India to maintain a delicate balancing act in the region between its major players, Saudi Arabia, Iran, Israel, the United Arab Emirates (UAE), Qatar and others.

Oil Off the Boil

But the situation in West Asia is fluid and ever-changing. There are indications that the US might play a less active role as security guarantor in the region. This was implied previously in Barack Obama's 'pivot' to Asia, and more recently by Donald Trump's general wariness about the US' international military involvement.

The Arab Spring, instead of resulting in mass democratisation across the region, witnessed the breakdown of governance in Egypt and triggered civil wars in Syria, Iraq, Libya and Yemen. The 2015 Iran nuclear agreement may have dealt with the immediate challenges posed by that country's nuclear programme. But it has generated fears in other regional capitals, who worry that the removal of international sanctions against Iran



Hava Nagila: With 11-year-old Moshe Holtzberg, 26/11 terror attack survivor

may have emboldened Tehran and upset the balance of power.

Meanwhile, as oil prices remain low, several Gulf Arab countries are beginning to plan for a post-oil future. The Saudi Vision 2030, a signature project of Saudi Crown Prince Mohammed bin Salman, marks an ambitious plan to reorient and modernise the Saudi economy.

While preserving ties with Iran, a vital conduit into Afghanistan and Central Asia, India has tried to seize the opportunities presented by this changing landscape to strengthen ties with the likes of Saudi Arabia and the UAE. Modi has reportedly noticeably increased the proportion of the prime minister's time spent abroad in West Asia relative to his predecessor. It's a reflection of the increased political importance India accords to the region. Even as India attempts to 'Act East', it is increasingly 'Thinking West'.

This is where Israel's importance becomes apparent: looking west from India, it is an island of stability amid a region beset by considerable political, military, economic and social upheaval. And the sentiment is reciprocated. "When I turn my head to the right," Netanyahu joked while recre-

ating a yoga pose, "India is the first democracy that I'll see." For India, a deeper, more normal relationship with Israel has been made easier by the thaw in Israel's relations with Saudi Arabia and its Gulf allies.

But Pally With Palestine

And, notwithstanding Modi's decision to skip Ramallah, New Delhi has discovered that a better relationship with Israel does not necessarily mean that it should distance itself from Palestine. The recent visit to India of Mahmoud Abbas, President of the Palestinian National Authority, was an ample demonstration of this.

Moving forward, India's vital interests and the changing regional dynamics will require it to deepen relations with all important actors in West Asia, preserving its careful balancing act while stepping up to play a more active regional role. Completely normalising relations with Israel, as this first visit by an India prime minister irrevocably does, is an important step towards that objective.

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Notwithstanding Modi skipping Ramallah, New Delhi has realised that a better relationship with Israel does not necessarily mean distancing itself from Palestine

NON-PERFORMING ASSETS

Giving NPAs a Decent Burial



Reshmi Khurana

The government and regulators are paying urgent attention to India's large and mounting non-performing assets (NPAs). Last month, the Securities and Exchange Board of India (Sebi) announced that companies pursuing acquisitions as part of resolution plans approved under the Insolvency and Bankruptcy Code (IBC), 2016, would be exempted from open offer obligations typically applied under Indian takeover regulations.

Earlier in June, RBI announced its decision to focus on 12 stressed accounts, totalling about 25% of the current gross NPAs, and referring them to the IBC immediately. Before that, GoI had cleared an Ordinance to amend the Banking Regulation Act, giving RBI more powers to direct banks to resolve bad loans. The message is clear: NPA resolution is on the top of the government's mind.

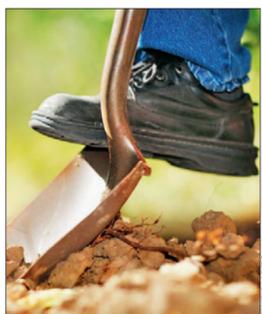
So why have these recent regulatory changes not resolved an NPA yet? Take the role promoters play in NPA resolution. The majority of business-

es remain under the control of their founding promoters.

Unlike in more developed markets, their ongoing involvement is key for business continuity and turnaround of distressed assets. This is because promoters closely control key aspects of a business, such as relationships with employees, suppliers, customers and regulators.

As a result, it becomes critical that promoters should agree to, and be involved in, any NPA resolution process. However, the RBI or the IBC doesn't regulate promoters and other shareholders, and cannot force resolutions on them. Promoters understand this quandary and have used it to their advantage. It remains to be seen how the promoters of the 12 companies selected for resolution by the RBI will participate in the resolution process over the next few months.

The regulatory changes also don't address the gaps in the institutional framework within which the NPAs will have to be resolved. This framework includes the National Company Law Tribunal (NCLT), the adjudicating authority for corporate insolvency cases under the IBC. It also refers to the network of insolvency professionals, who will be appointed by the NCLT and will be in charge of managing the debtor company, while being accountable to the creditors and to the NCLT.



Make them rest in peace

The capacity of the NCLT needs to expand significantly for it to handle present and past backlogs in a timely manner. It is also unclear how long it will take the NCLT judges to ramp up their understanding of the specialised bankruptcy environment that allows them to handle the cases in an expedient and fair way.

It is critical for the Insolvency and Bankruptcy Board of India (IBBI) to quickly develop a well-defined process to select the most qualified insolvency professionals. Apart from ensuring the necessary technical capabilities, the insolvency professionals must be allowed to be independent to

prevent promoters, or other stakeholders, from manipulating the resolution process. The quality and independence of the insolvency professionals is critical to the IBA's successful implementation.

The regulators also need to consider that many NPAs are in sectors where market conditions are weak, such as steel, power and textiles. In this environment, it is difficult for banks to find suitable buyers at desired valuations. So, the banks will need to accept significant haircuts to achieve resolution, which will negatively impact their profitability.

GoI will require immense political will to allow bankers to take the necessary haircuts, without the fear that their decisions will be investigated in the future. The tight resolution timelines envisaged under the IBC cannot be achieved if bankers don't have the commercial flexibility and autonomy to make difficult decisions while minimising corruption risks. India needs to develop a track record for resolving bad debts in a timely, transparent manner. Only by keeping in mind all that's necessary for that to happen as mentioned above can the value of distressed assets be maximised, and capital and other productive resources get redeployed efficiently.

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AIR INDIA DISINVESTMENT

IndiGo, IndiGoing, Will IndiGet?



Pallavi Mody

History was made when Lenovo acquired IBM's personal computer (PC) division in 2004. IBM, pioneer in computers from the US, is an 82-year-old giant. The Chinese Lenovo had been around for only 20 years. Currently, Lenovo leads in the PC space with the largest market share of 21%, ahead of HP and Dell.

IndiGo is dreaming a similar dream. The young low-cost carrier that started its operations in 2006 has emerged as the first serious contender for Air India (AI), a 70-year-old government-owned airline.

As soon as the Union Cabinet gave an in-principle nod to the strategic disinvestment of GoI's stake in AI, within less than 24 hours, IndiGo wrote to the government of its intent to buy the airline. IndiGo is the country's largest passenger airline with a market share of 41.2%, while AI's market share is at 13%.

A lot remains unclear. Will GoI bite the bullet and exit AI with a 100% sell-off? Or will it sell only partial stake and exercise the option of a 74% or a 51% stake sale? How will GoI handle the debt of ₹52,000 crore? Will there be some write-offs to make the deal sweeter for the buyer? And is IndiGo's dream realistic?

IndiGo has successfully built its brand in the oligopolistic airline industry on three platforms: low fares, on-time performance and courteous service. IndiGo geared all the energies of the organisation towards making operations simple and has built

its brand around the 'on-time' theme with a low marketing expenditure.

But can IndiGo turn AI around? The answer is complex. International access to the AI network is the most lucrative aspect of this deal for IndiGo. Though IndiGo operates 900 flights daily, connecting 46 destinations, 39 of them are domestic, and only seven international. AI connects 89 destinations and about two-third of its revenue comes from the international segment.

AI's share in international traffic among Indian carriers is 44%, compared to IndiGo's 9%. The intangible benefits of Star Alliance in the international operations would make the deal sweeter. AI joined Star Alliance with effect from 2014, providing global connectivity to the airline: 1,269 destinations in more than 193 countries.

AI has prime slots for take-off and landing at London's Heathrow and some other airports in the US and Europe. It also has access to aircraft parking and hangar facility in most of the important domestic and international airports.

IndiGo has been using a single aircraft, the Airbus A320, with the same configuration to achieve operational efficiency. It saves the hassle of

training pilots and crews for different aircraft. IndiGo's fleet size is 135 carriers. AI, on the other hand, has aircraft from Airbus and Boeing with different configurations. AI's fleet size is 116. A merger may add to the complexity, as fleet management and manpower management may become complex.

IndiGo achieved the lowest turnaround time and the highest passenger load factor, leading to higher revenue and higher profits. This enabled it to offer low fares and increase its market share. IndiGo has instituted some of the best practices in human resource management. Being courteous and hassle-free starts with being a hassle-free place to work.

Ten years in a row, IndiGo continues to be among the best companies to work for in India. It is not surprising that IndiGo has a zero attrition rate.

The work culture in AI, which has remained in the public sector for a long time, will differ. More than the financial management, it is people management and cultural integration that have proved to be the toughest aspects of mergers and acquisitions.

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the speaking tree

Positive Mysticism

RAJINDER SINGH JI MAHARAJ

Restlessness is the root cause of chaos in individual minds. Most of us have forgotten the fundamental binding force: the feeling of universal brotherhood. Hence, there is room for interpersonal conflict, extending to clashes between communities, societies and countries. This is because we tend to avoid the vital issue of self-knowledge or the knowledge of soul.

The science of spirituality needs to be given a new orientation for wider appeal. Spirituality is nothing but becoming conscious of the soul and God within. In modern life, we find it hard to strike a balance in the development of our spiritual, intellectual and physical sides. Modern society as a whole values intellectual and physical growth. Unfortunately, it does not place a high value on spiritual development.

We can lead a productive, fulfilling life while working towards spiritual ends. Sant Darshan Singh Ji Maharaj called this approach "positive mysticism" as opposed to "negative mysticism", which required a seeker to give up his home and society and live in jungles or on the mountains in order to find God.

The path of positive mysticism enables one to achieve the best of both worlds. In this path, we pursue the inner journey while remaining in the society into which we were born. We continue to perform our obligations to our family, job, community and society, plus devote time each day for meditation. The concept of positive mysticism can give us an understanding of how we can achieve spiritual growth while meeting the challenge of the age.

Chat Room

In a Perpetual Denial Mode

India's friendship with other countries has been leaving China red-faced. First it took umbrage at Modi's US visit. Now it has expressed its displeasure at Modi's Israel visit. It will not like India's friendship with Russia and Bhutan. China is neither willing to extend a hand of friendship to India nor is it tolerant of India improving its relations with other countries. China is overambitious and seemingly wants to claim the whole world. Pakistan may think China is its well-wisher; but it will gobble up Pakistan.

K V SEETHARAMAIAH
Hassan

Get Them Out in the Playground

Appropos your Edit 'Careful With Ghosts in Our Machines' (Jul 5), it is clear that the parents of the Gurugram child alone are responsible for the pathetic state of their ward who has almost ended up as a mental wreck. This sad case should be a loud wake-up call for some of



the parents who take immense pride in watching their children endlessly playing games or fidgeting with a smartphone. At an age when they should be fully encouraged to explore, feel and enjoy the bounteous, beautiful world around them, the children are being pushed into the meaningless, artificial, unproductive and potentially harmful virtual world.

AMOHAN
Chennai

Limelight on Nitish Kumar

This refers to 'Elbow Room, or Elbow Out?' by Ashok Malik (Jul 5). While BJP is hoping for Ghar Wapsi of Nitish Kumar to give them a foothold in Bihar that they unexpectedly lost in 1915 despite sweeping Bihar in 1914 riding on the Modi wave, NDA may be gunning for even stronger performance with Nitish on their side. His gameplan seems to be to keep overbearing and demanding Lalu Yadav in check and not jeopardise his hard-earned credibility of efficient, honest governance.

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