Star, Sony, Hotstar and the IPL

Star's IPL win raises two questions; what happens to Sony and will digital finally rise in revenues?

MEDIA SCOPE

VANITA KOHLI-KHANDEKAR

What will Sony do without the Indian Premier League or IPL? And why didn't it make a composite bid instead of bidding only for the TV rights? Will Star's ownership of the IPL finally give online the revenue heft it has been missing in India? Those are the questions that remain unanswered long after all the number crunching on Star India's IPL win is over.

Last week the India arm of the Rupert Murdoch controlled $28.5-billion 21st Century Fox won all global and India rights across TV and digital to the IPL for ₹16,347.50 crore. Its composite bid for five years was higher than all the individual bids for different categories. For instance Facebook bid ₹3,900 crore for only the India digital rights. Sony bid ₹11,050 crore for just the India broadcast rights.

Therein lie the first two questions this column asks.

The estimated ₹4,500-crore Sony Pictures Network gets roughly one-third of its revenues from the IPL. It bought the rights in 2008 for a billion dollars (₹5,000 crore then). Over a 10-year period it has made an estimated ₹10,000 crore or more on the event, say analysts. Take away marketing and distribution expenses and Sony's estimated profit on the IPL over 10 years is about ₹2,500 crore. Why on earth did it not fight tooth and nail to keep the rights? What stopped it from allying with say Facebook or with Amazon (a potential bidder) to make a composite bid? The Facebook plus Sony figure adds up to ₹14,950 crore. One more partner for global rights and Sony could have had the IPL in the bag.

N P Singh, CEO, Sony Pictures Network, was not available for a conversation. But earlier this year I had asked him what Sony would do if it loses the IPL. "We still have cricket rights to five boards and are invested in 10 different sports of which football is the fastest growing. In that we have FIFA 2018, Champions League, La Liga. Basically, outside of English Premier League and Bundesliga we have every major football tournament," he had said. Sony has been building non-cricket sports. It paid ₹2,600 crore to buy Ten Sports from Zee earlier this year. Ten Sports will add ₹600 crore to Sony's topline but the loss of IPL takes away about ₹1,500 crore. So the company could end up shrinking to ₹3,800 crore or so.

That brings us to the third question this column raises — can online finally become a seriously big medium in revenues too? Kunal Dasgupta, the former CEO of Sony and now a media consultant, analysed Star's bid. He says, "The ability to have no delay on the OTT (over-the-top or online video) feed in the subcontinent makes the TV broadcast and digital feed seamless. Remember the likes of Facebook bid nearly ₹4,000 crore for a five-minute delay on digital live broadcast. With the ability to do this I see viewers on Hotstar (Star's digital brand) being more than on TV within a year. This will boost the smartphone universe along with low-cost bandwidth. I see the ad rates of IPL on Hotstar shooting up to equal or beat TV in the next five years due to this. So if TV generates ₹35 crore a match in advertising so will Hotstar making a total of ₹70 crore a match which is already profitable even without (monetising the rights to) rest of the world," says Dasgupta.

There are several ifs and buts. A really big match gets 50 million impressions or more on TV alone. To simultaneously live stream online to that many people is a challenge given the varying quality of bandwidth and devices in India? Then there is the question of the poor ad rates that online usually gets compared to TV. If the ability to show the IPL on the phone or a device at the same time as on TV attracts the same ad rates, then Star's IPL win would have done something important; it would have given digital the heft that all the bombastic audience numbers around it never get.

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CHINESE WHISPERS

The bare truth

Highlighting imperfections in market pricing, former chief economist adviser Kaushik Basu tweeted, "One market failure that needs fixing is the fact that barbers don't vary the price of haircuts depending on the quantity of hair." The debate in the comments thread to that tweet seemed to indicate there is good reason why barbers charged the same amount for people suffering from thinning hair. "The classical theory is, the charge for haircut must be inversely proportional to the amount of hair. Less hair calls for more expertise," went one reply to the tweet.

Manmohan still silent

Former prime minister Manmohan Singh (*pictured*) has been silent since his riveting speech on demonetisation in Parliament last November; so guests awaited eagerly for him to speak at a book release function in the capital on Monday. He spoke, but only in praise of Raj Kapila, a late economist in whose honour his wife Uma Kapila, also an economist, edited the book. Singh had released another book, edited by Rakesh Mohan, last month but did not utter a word. As Singh completed his address and stepped down from the dais, somebody in audience said MMS remained silent on the burning issues of the economy, while the book release function schedule specifically mentioned that he would address the audience. Another remarked that he did address, though he did not say what we wanted to hear.

Big bucks for big image

With the Assembly elections due next year, politicians in Karnataka are on a hunt for image managers. Legislators and aspiring ones are looking to spend big bucks on spin doctors, who can research, give pointers and help educate them on issues before they participate in television debates. One legislator of the ruling party is ready to offer a six-figure compensation to the image manager, so that he can get re-elected. Considering what is at stake — fight for tickets with the party leadership and the battle on ground against rivals to woo voters — money is no barrier.

From skills to sustainable livelihoods

The process of creating aspiration and putting youths on a skilling path has to be designed and executed in new formats

GANESH NATARAJAN

The debate over the poor numbers reported by the country's skills mission and our inability to provide real jobs to tens of millions of youth emerging from colleges and training institutes often ignores some real issues. Are we attacking the right problem? Do we know what it takes to build an environment of sustainable livelihood creation in the country which can support better "agency" building in youth and empower them to chart their own destiny with skills as a by-product of this journey?

Some experiments in the city of Pune, initially by well-meaning corporates and in recent times by the Pune Skills & Livelihood Lighthouses of Pune City Connect and some new programmes targeted by missionary organisations like Global Talent Track and Social Venture Partners throw light on the challenges as well as the opportunity. Three large organisations have been working together since 2008, first in an experiment to participate in a national programme to skill youth in retail and later in support of a programme that had succeeded in another city to provide intensive skills aimed at job readiness. Both failed, with the participants in the skilling programme dropping out either during the arduous training or within some weeks of starting their employment. If one looks at the numbers reported by the National Skill Development Council, through the first phase of the Pradhan Mantri Kaushal Vikas Yojana in July 2015 and the second phase launched the following year, there has been a substantial shortfall in skilling and a larger gap in employment generation with placement rates in the second phase of barely 12 per cent compared to 18 per cent in the first. It becomes obvious that herding youth into skilling centres is not the solution to creating either successful employees or inspired entrepreneurs.

The Pune City Lighthouses offer a different approach which has shown success over the last two years. The core premise is that the millennial youth, irrespective of their socio-economic strata, are not excited by a straitjacketed skilling process and even if domestic compulsions and free training induce them to sign up, the motivation levels do not sustain for long. Building in each individual the willingness to take responsibility for their own feature, the spirit of "agency" is emerging as a prerequisite to counselling for possible career or entrepreneurship options and the choice of a skilling programme to which the youth is truly committed. Early data have been encouraging, with large enrolments in each of the three lighthouses that have already been set up and a clamour to have one in each municipal ward of the city. Participant completion rate is in the high eighties and participants work collaboratively with the organisers to seek the right jobs or business opportunity on course completion. In a similar fashion, Jagruti, a nursing assistant training NGO supported by Social Venture Partners with grants and mentoring for three years, has been able to scale from 20 participants to 400 and is now willing to spread its wings to other parts of the country. Finally, an ambitious "social mobility" initiative by Global Talent Track supported by two large multinationals through their CSR is seeing over 70,000 grey collar workers in offices trained for better language and social skills that will enable them to double their salaries and move up the social ladder in six months.

FUTURE READY The jobs of the future will lie not in traditional areas but at the intersection of new pursuits for the millennials and digital natives

All this points to potential solutions on a national level that the new skills minister would do well to consider. It all starts with accurate predictions and projections of job creation in both the formal and non-formal sectors. The jobs of the future will lie not in traditional areas but at the intersection of new pursuits for the millennials and digital natives. The ability to integrate entertainment with education and information, the skill of analysing data and providing timely inputs through predictive and prescriptive analytics and the intelligence to plot customer journeys through multiple channels and create new experiences will be much sought after, but do we in our country have the ability to skill young aspirants for these roles? At Nasscom a new research has identified over 50 of these new job roles and in every sector, leaders of the sector skills council will have to move from theoretical constructs of job roles and qualification packs to practical realities for white, grey, rust and blue-collar jobs of the future.

As the country progresses economically, there will be huge job opportunities in traditional areas like health care, tailoring and traditional artisan work, and while these may not be the most sought after by a new tech-savvy generation, the process of creating aspiration, providing counselling and then putting youths on a skilling path will have to be designed and implemented in new formats and pedagogies to excite and educate the youth of the country. Once job opportunities are clearly defined and enough momentum has been created in youth, the training methodology has to be enriched by introducing contemporary technologies like video walls, artificial intelligence, augmented reality and virtual reality into the skilling process. An initiative that is being launched by Social Venture Partners India has the ambitious goal of identifying design partners with scalable models and connecting them to implementation entities that can take a proven model and scale it countrywide. There is much to be done and it has to be done fast. The country needs it and 300 million Indians are waiting!

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BUSINESS LIFE

Break up tech giants? No, just level the field

Facebook, Google and Uber should be held to the same rules as older rivals

LEONID BERSHIDSKY

People in the US, not just in the European Union, are finally getting worried about tech sector leaders' market dominance and the political power it confers. Unfortunately, the solutions gaining traction are the kind of anti-monopoly regulations that address the symptoms of the problem, not its root cause.

Some 45 per cent of American adults get news from Facebook. Google's search market share in the US approaches 86 per cent. About 43 per cent of all online retail sales in the US last year went through Amazon. So no wonder people get concerned when Facebook reports that, during the US presidential campaign, hundreds of fake accounts, possibly operated from Russia, bought and ran about $100,000 worth of political ads from the social media company. It's no surprise that there's an outcry about Google's treatment of free speech inside the company and, likely, in a think tank the company funds. It's natural that Amazon's Whole Foods acquisition raises alarms.

How can these benign, universally loved innovators be stopped from turning into evil, soulless corporate behemoths? Break up companies such as Facebook, Google and Amazon, some say, or at least stop them from buying up companies that allow them to consolidate their dominance. Or perhaps recognise them as utilities — the approach advocated by Barry Lynn, head of the Open Markets programme cut loose by the New America think tank after Google executive chairman Eric Schmidt complained about Lynn's work. The catch-all name for all the proposals, popularised by George Mason University law professor Joshua Wright, is "hipster antitrust".

Neither makes sense in most cases. The European Union's antitrust commissioner Margrethe Vestager has only

The business model of Google and Facebook pits them squarely against media companies

gotten involved with the US tech giants because European monopoly and state aid law provided some relatively low-hanging fruit. That doesn't mean US regulation should follow the European path of least resistance. Besides, the case for increasing the regulation of some companies is better than for others.

The fundamental problem with the tech leaders is that they have, for many years, succeeded in presenting themselves as something different than they are. Amazon (minus its commercial cloud business) is a big retailer with a strong distribution network that other retailers also choose to use. Google and Facebook are media corporations because their business model, based on selling ads, puts them squarely in that sector; it doesn't matter that they don't themselves create the content they sell to advertisers or that they collect lots of behavioural data about users — the money-for-eyeballs model remains essentially the same as for old-school media companies. Uber is a taxi firm. Airbnb is a hospitality company.

As Robert Haslehurst and Alan Lewis of L.E.K. Consulting wrote in the *Harvard Business Review* last year, a market is only new if the transaction that occurs in it didn't previously exist; thus, cellular communications constituted a new market when they were first offered to consumers. But Amazon, Uber, Airbnb, and even Google and Facebook don't, as a rule, offer such fundamentally new transactions. "We believe," Haslehurst and Lewis wrote, "that these businesses have not redefined industries in a fundamental way; instead they are 'old wines in new bottles'. They have more similarities than differences with traditional businesses, and should be regulated accordingly."

The Silicon Valley firms have managed to convince regulators that they are something completely new — platform companies that enable the transfer of goods and services. European regulators have swallowed this concept whole and are trying to define what is permissible for platforms and what's not. The argument for defining the firms as utilities, as well as the calls for Facebook and Google to maintain political neutrality, also come from this idea of "platforms": If the companies are merely facilitators and marketplaces, they should treat everything and everyone using them exactly the same.

This is an approach that could, in theory, eventually lead to the break-up of Amazon into a retail company and an eBay-like online marketplace company that also offers logistics and delivery services. It has spawned, for example, an Indian law passed last year that only allows 100 per cent foreign ownership of companies that operate mainly as a marketplace, with no more than 25 per cent of their sales coming from one vendor, such as the company itself. It could also limit Google's ability to offer certain services that others advertise on its "platform" — the next step after this year's European Commission ruling that it stop prioritising its own shopping comparison service over others.

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LETTERS

Bolt from the blue

With reference to "Go steady, Mr Gadkari" (September 11), the frequent changes in policy for the auto industry has become a nightmare for manufacturers. The recent price hike of SUVs due to imposition of additional cess has brought a lot of discomfort for carmakers. Some are not only unhappy, but have even threatened to reconsider their business plans in India. The government, on the other hand, is unconcerned by its decision to increase tax revenue at any cost.

Now, the announcement of Nitin Gadkari to go green by deployment of electric cars by 2030 is another bolt from the blue. It is well known that the announcement is the result of the Paris climate agreement to reduce global warming. But some European countries including France have set a deadline of 2040 for switching to electric cars. India has set target of 2030 for 100 per cent electric cars without any preparedness. According to estimates, about 40 to 50 lakh cars — apart from other vehicles (in millions) — run on conventional fuel, which need to be replaced to meet this impractical goal.

There are some serious drawbacks to implementing this step. The time frame is inadequate, and we require a robust infrastructure for charging points. At present, there are only 800 charging points in India. Another factor is the high cost of lithium ion battery, apart from other accessories, which are not made in India. Lastly, the government must be pragmatic to convert its idea into a well thought out and feasible policy to prevent a futile exercise.

Partha Sarathi Mukhopadhyay Nagpur

Worthy challenger

In his speech at the University of California in Berkeley, Rahul Gandhi (*pictured*) did some plain speaking, painting a true picture of India with Narendra Modi at the helm. The Bharatiya Janata Party's (BJP) criticism that he belittled the prime minister on foreign soil does not hold good as he dwelt more on the issues and failings of the Centre. In fact, he complimented Modi

for his oratory and communication skills.

The BJP cannot expect everyone to deify the PM as it does. With a big smile on his face, Gandhi drew attention to a "tremendous machine" being run by the BJP to depict him as a "reluctant" and "stupid" politician. Besides the "computer kids", BJP-friendly TV anchors and reporters took constant potshots at him. They even tried to twist the Berkeley speech to hold that the Gandhi scion spoke against "equality and merit" and preferred "dynasty over democracy". He was spot on when he admitted with refreshing candour that the fondness for dynasty is entrenched in the national psyche. But, for good measure, he added that one should be judged by his "capability" and "sensitivity".

Gandhi's passionate opposition to the "politics of polarisation" practised by the ruling dispensation was the most striking feature of his speech. He also did well to come out in favour of tolerance and non-violence, and say that demonetisation deprived the impoverished of their livelihoods and hurt the economy. A relaxed and confident Gandhi representing and articulating secularism and social welfare appeared a worthy challenger to Modi.

G David Milton Maruthancode

Control over ocean

With reference to "Build that carrier quick" (September 12), Halford John Mackinder said in 1904 that he who controls the heartland — Europe-Africa-Asia — controls the world. In this mass, the Indian Ocean is the largest water body. India today is virtually an island. Her land border, disputed for long stretches, is in a state of conflict. Have we shaped a strategy to suit an island nation? Realising ports were the "Internet" from the 16th to 20th centuries, our colonial masters ensured control of key strategic ports. On a map, draw a line linking London, Gibraltar, Tristan da Cunha, Falkland Islands, Solomon Islands, New Zealand, Australia, Hong Kong, Singapore, Rangoon, Port Blair, Kolkata, Chennai, Colombo, Mumbai, Karachi, Aden, Port Suez, Malta, Gibraltar and back to London. Amazing, isn't it? This was one of the key reasons why the Allies won WW-II. Shouldn't we have at least four carrier fleets, with requisite escorts, including submarine screen, amphibious brigade — two at home and two on our east and west island bases? The Indian Ocean should be in our control to warrant the name. Instead a power that has no port on it is being allowed to befriend other nations to set up potential bases. The South China Sea struggle is just the beginning. We've been warned.

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HAMBONE

BY MIKE FLANAGAN

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Caught in a cleft

Govt seems to be running out of options on public sector banks

Reserve Bank of India Deputy Governor Viral Acharya said last week that the financial health of India's public sector banks (PSBs) was so poor that it kept him awake at night. It is not that the government and the central bank have not tried to tackle the problems, but Mr Acharya said that the "glacial" pace of reforms was worrying. For instance, he said while the so-called Indradhanush was a good plan, it might not be enough and what the PSBs needed was a far more powerful *Sudarshan Chakra* (the name of Krishna's weapon) that could do things quickly to save these banks, most of which had gross non-performing assets (NPAs) in excess of their net worth.

The problem is while there is a near-consensus that something needs to be done quickly, there seems to be no solution in sight to fix the problems the PSBs face with their stressed balance sheets. For the first time in at least two decades, the loan books of the PSBs shrank as advances fell by ₹1.35 lakh crore in 2016-17. This is not surprising since weak balance sheets cannot support healthy credit growth. Far from kick-starting growth, Indian PSBs actually need capital to merely survive. According to the latest data from Fitch Ratings, Indian banks require around $65 billion of additional capital to meet the new Basel III capital standards that will be in place by the end of March 2019, and the PSBs need around 95 per cent of this estimated amount. As against this requirement, the government has only committed to investing around $3 billion in fresh equity for 21 PSBs over 2017-18 and 2018-19. Clearly, the government is in no position to supply the capital to kick-start the PSBs.

The key question is how will recapitalisation happen? Mr Acharya said that the Cabinet Committee on Economic Affairs had authorised an alternative mechanism to bring down the government's stake in the PSBs to 52 per cent. But this is not a practical solution given the political compulsions as well as the big question of lack of investor appetite in taking exposure in weak banks. The Union Cabinet has also been pushing for mergers but as the case with the State Bank of India shows, mergers are no guarantees for turnarounds. In fact, they may run aground the banks that were performing well. Also, most PSBs have exposure to the same set of stressed assets and a merged entity might end up with a larger exposure to stressed sectors.

There is no denying that over the past few years, the RBI and the government have done a lot to resolve the bad loans situation. Starting with the creation of the Central Repository of Information on Large Credits (CRILC) in early 2014 and the initiation of Asset Quality Review (AQR) from April 1, 2015, a process has been put in place to make banks provide for non-performing assets. The enactment of the Insolvency and Bankruptcy Code (IBC) in December 2016 then plugged a massive regulatory gap and should in time provide for a quicker resolution of NPAs. But some of the recent court verdicts in insolvency cases may queer the pitch.

One possible way out that the government and PSB boards should consider seriously is selling off or divesting stakes in subsidiaries and non-core businesses so that the money raised can be ploughed into their core operations. There is much to learn from PSBs, which have reduced their stakes in their insurance ventures.

A longer pause?

Retail inflation, factory output data make for a sobering read

In stark contrast to talk of deflation in the economy, India's retail inflation, measured by the Consumer Price Index (CPI), grew by 3.36 per cent in August. This is the second straight rise after a 2.36 per cent increase in July. The two put together undermine the growing notion of a deflationary trend taking hold after the CPI growth had decelerated for three months before July. The latest triggers for the rise in prices have been a spike in fruit and vegetable prices as well as a hike in the house rent allowance. Moreover, the impact of the newly introduced goods and services tax (GST) regime has been inflationary. Crucially, core inflation, too, has grown by 4.6 per cent. Most analysts now hold that, notwithstanding a possible easing of food inflation by October, a rate cut by the Reserve Bank of India (RBI) in its next monetary policy review is ruled out.

The RBI, which cut the repo rate by 25 basis points in its last review in August, had crucially maintained a neutral policy stance. It had, as it has done for the most part since demonetisation was announced in November last year, pointed to the uncertainty about the future trajectory of inflation. A key factor weighing on the RBI's monetary policy committee's decision was the likely impact of Pay Commission hikes in the current financial year. The roll-out of the GST is another factor that could upset calculations. The RBI has been severely criticised in the recent past by many for overestimating the threat of inflation while disregarding the slowdown in economic growth. There were murmurs that the central bank, in fact, contributed to the slowdown by keeping interest rates too high. The latest data would perhaps justify the RBI's caution.

That is not to say that the threat of a deeper economic slowdown is over. Far from it. The country's industrial activity, measured by the Index of Industrial Production (IIP), expanded by just 1.2 per cent in July, according to another set of data released on Tuesday. While this was better than the contraction of 0.2 per cent in the previous month, yet it was a considerable drop from the growth of 4.5 per cent in the same month last year. The overall data, however, masks a huge variance in sectoral growth. While mining and electricity recorded growth rates of 4.8 per cent and 6.5 per cent, respectively, the all-important manufacturing sector's growth, at 0.1 per cent, barely registered any movement. In terms of industries, only eight of the 23 industry groups in the manufacturing sector showed positive growth, year-on-year, during July. The consolidated data for the IIP from April to July — it grew by 1.7 per cent, as against 6.5 per cent over the same period last year — now shows the weakness on the industrial front. In terms of use-based classification, growth in both capital goods (which is seen as a proxy for the investment climate in the economy) and consumer goods contracted in stark contrast to a year ago.

Taken together, the two bits of macroeconomic data do not present a happy picture. Rising inflation in the economy almost rules out chances of the RBI coming in to help industrial growth, which continues to disappoint possibly due to the continuing after-effects of demonetisation and the goods and services tax, which continue to disrupt production networks. A turnaround in economic growth, then, is clearly some distance away.

ILLUSTRATION BY BINAY SINHA

Diplomacy in the age of Twitter

Social media has created a virtual deluge of information, which has empowered citizens, putting diplomats under pervasive public scrutiny

Tom Fletcher, a former British diplomat, has explored the practice of diplomacy in the digital age in his book, *Naked Diplomacy*. He has traced the birth of diplomacy to that Stone Age encounter when one of our ancestors succeeded in persuading his neighbour to join hands in hunting or foraging for food, instead of repeatedly clubbing him on the head in order to grab his meagre meal. Not much has changed since then, or has it? India may have succeeded in persuading China to put aside the club it was brandishing threateningly in Doklam, to join in collaborating at Xiamen instead. Diplomacy appears to have delivered for the present. Through the frenetic change in our lives brought about by rapid technological advancement, the challenge for humanity remains remarkably elemental — how do we get along as individuals, communities, societies and nations, restraining our ancient urge towards violence and domination? While diplomacy is usually referred to in the context of relations among states, but sometimes more diplomacy is expended at home than abroad in managing relationships. As long as humans exist and must learn to live with each other, as individuals or as nations, diplomacy will remain relevant. So diplomacy is not about to die a digital death though its practice will stand transformed.

SHYAM SARAN

Digital technology has spawned what we know as the Information Age. In the not too distant past, states derived their authority from a monopoly over information, their ability to restrict access to such information and the power to manipulate it. Today, states can remain relevant only if they become the source of expeditious dissemination of high quality and reliable information. The premium on secrecy has given way to that on transparency. Internet and social media has created a virtual deluge of up-to-date information in the public domain and this has empowered the ordinary citizen, the *aam aadmi*, like never before and the state and its agents, including diplomats, are under unprecedented and pervasive public scrutiny.

Traditional diplomacy has all the hallmarks of an elitist pursuit of an elegant and esoteric craft. It is those who were schooled in statecraft and steeped in the elaborate trappings, language and formal etiquette of diplomacy who were considered the best guardians of managing inter-state behaviour. The digital age has disrupted traditional diplomacy, forcing diplomats to be less formal and more accessible, reaching out to ordinary people both within and outside their countries, combining "statecraft with streetcraft". Modern diplomacy requires mastering the art of networking through channels, which run horizontally rather than vertically through hierarchical structures. This public outreach must nevertheless go hand in hand with the embrace of secrecy when this is required. In dealing with sensitive situations transparency is often a deal-breaker. Nevertheless, there is no doubt that transparency and the involvement of the public and the media have become significantly more salient than before and pose a challenge to effective diplomacy.

Diplomacy in the digital age places a premium on the speed of communication. Social media like Facebook and Twitter enable instant dissemination of information and opinions that form around it. Diplomats can and should use the same tools to get credible information and assessments into the public domain so that misperception and misinformation are minimised. The Ministry of External Affairs was the very first ministry of the Government of India to adopt these social media tools and has been a pioneer in adapting Indian diplomacy to the digital age. However, this very ability to ensure swift reaction to unfolding events and staying ahead of the information curve may undermine a very integral aspect of diplomacy. This is the diplomat's responsibility to ensure deliberation and reflection before committing the state to any particular position. Instant and unmediated reactions can be risky, particularly when inter-state tensions may be high. On the other hand, delay in reacting to a particular situation may also be risky in a world where typically events unfold with bewildering rapidity. There are no easy answers. These days leaders are on Twitter and their comments on events spread instantly and widely. Leaders are often directly in touch with one another and believe, sometimes with good reason, that personal diplomacy may yield more substantive results than diplomats negotiating with one another. But not all political leaders are masters of statecraft and seasoned communicators. So the risks are great.

In the pre-digital age, diplomats derived their authority from the states they represented. In the digital age, the authority of the state itself has diminished and the diplomat must now represent his people and not just the government. By the same token, while he is accredited to the government of the host state, he must interact with the people of the country, its civil society, its media, and its business and industry. His canvas has become extremely large and multi-tasking is an indispensable and not merely a desirable requirement. Furthermore, these non-state entities have become much more influential thanks to the digital age. They are able to establish and operate through dense cross-border networks. For a diplomat this requires becoming a master of networking skills himself. The notion of sitting behind a desk and managing relations with governments of other states, mainly through formal written communications or stylised diplomatic conversations, is now out of date. Diplomats must aspire to become critical nodes in networks in which governments are only one and not always the most significant and influential component.

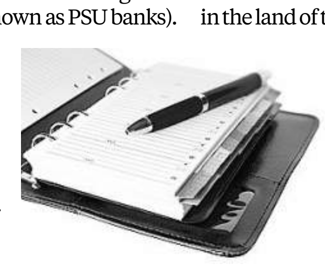
The digital world is complex and constantly mutating. Diplomacy needs to keep abreast of these changes and constantly upgrade and update the principles and practices of the profession. In a congested world of competing states and competing networks, there are heightened dangers of inter-state conflict. Social media may exacerbate inter-state differences. Recently, Prime Minister Modi and Chinese President Xi Jinping agreed that differences between India and China must not become disputes but they often do thanks to the amplification provided by media, especially social media.

Diplomacy operates best in areas of grey. It shrivels when issues are framed in black and white. One of the challenges to diplomacy in the digital age will be whether enough grey zones still remain for tensions to be moderated and differences to be reconciled. The shrill voices we hear both at home and abroad need to tune down the decibel level so that we listen to each other rather than shout past each other in mutual incomprehension.

The writer is a former foreign secretary and Senior Fellow, CPR. His book, How India Sees the World, *has just been published*

A *Sudarshan Chakra* for PSU banks

Last week, the deputy governor of the Reserve Bank of India (RBI), Viral Acharya, borrowed a phrase from the *Mahabharata* to underline the urgency of tackling the financial crisis that has engulfed India's public-sector banks (also known as PSU banks). At the end of his RK Talwar Memorial Lecture in Mumbai on September 7, Dr Acharya said: "The Indradhanush was a good plan, but to end the Indian story differently, we need soon a much more powerful plan — '*Sudarshan Chakra*' — aimed at swiftly, within months, if not weeks, for restoring public-sector bank health, in current ownership structure or otherwise." The suggestion could not have come a day too soon.



NEW DELHI DIARY

A K BHATTACHARYA

In making that assertion, the RBI deputy governor raised two important issues. One, he made it clear that Indradhanush has not made much headway in terms of securing all the desired results for PSU banks. He probably paid the usual lip service to the idea that was announced with fanfare in August 2015, but there was an important "but" in the latter half of the same sentence that is by far the most powerful conjunction in English language. And that revealed his stance quite clearly and correctly, underlining the need for quick follow-up action in a different direction.

Two, his reference to the use of a *Sudarshan Chakra* has hinted at many options that the government must explore to tackle PSU banking mess. The use of that phrase has other implications as well. Columnist T C A Srinivasa-Raghavan has asked who will be the Shishupal, if a *Sudarshan Chakra* were to be used. Remember that in the *Mahabharata*, Krishna used his strategic weapon, the *Sudarshan Chakra*, to behead Shishupal, the king of Chedi, after the latter had committed his 101st sin.

One may also wonder whether the Union government or the RBI will see itself as Krishna beheading Shishupal and what will constitute the 101st or indeed the past many sins for which a *Sudarshan Chakra* will have to be used. More importantly, what are those sins? Were they the acts of nationalising those banks or providing loans to unviable projects without following prudential norms or the government use of PSU banks for meeting its social goals or recapitalising them without any performance criteria?

The central question will be: Who is Shishupal? The banks, the government or somebody else? Clearly, India's central bank continues to provide engaging analogies for the nation to debate. If the question of the one-eyed king in the land of the blind hogged the limelight a year or so ago, one can now be certain that the *Sudarshan Chakra* will be the next phrase that will be debated with as much passion.

But the Union government can hardly ignore the two issues that Dr Acharya has raised in his address. The Indradhanush package had four broad components: Setting up the Banks Board Bureau to oversee the governance of PSU banks and seek to distance their running from the political leadership in the government; infusion of fresh equity into these banks to improve their capital adequacy; induction of private sector talent to head these PSU banks and; setting up a new institutional mechanism to repair the balance sheets of those that are financially stressed.

Some progress has certainly been achieved on all these fronts in the last two years, although much more was expected. The Banks Board Bureau was soon established and it set the ball rolling for appointing a few private sector managers to head PSU banks, but that exercise stopped after a while and the experiment also did not yield the desired outcomes. The distancing of the bank managements from the political masters in North Block or South Block was an important goal, but no structure has as yet been put in place to formalise that relationship.

Fresh equity has been infused, but after showing virtually no regard for a performance-based criterion for such recapitalisation. As a result, the approach has remained the same for banks that needed to reduce their operations and banks that were relatively stronger and could have done with more capital. Legal formalities have also been strengthened with the enforcement of the Insolvency and Bankruptcy Code and the amendment to the RBI Act empowering the central bank to push for resolution of identified stressed assets of these banks. Already, some insolvency cases are being heard at the national company law tribunal and the resolution of stressed assets is expected to gain speed in the next couple of months.

But Dr Acharya is asking for more by way of at least creating a timetable for recapitalisation and divestment of government equity in PSU banks. No senior RBI representative in recent times has made public so categorically the urgency of quick action to resolve the PSU bank crisis as has been done by him. Yet it is clear that such an assessment is as much a comment on the intractability of the problem as on the government's failure to address this issue with the kind of clarity, decisiveness and speed that the central bank believes is necessary.

The government's track record in divesting its stakes in banks has so far been poor. In February 2016, the government announced its plan to privatise IDBI Bank, but till today the government is nowhere near implementing that decision. Complicating it further is the increased pressure on the government's fiscal situation because of tax revenue uncertainty in the wake of the launch of the goods and services tax, the anticipated decline in non-tax revenue from RBI dividends, spectrum auction proceeds and disinvestment and the increasing demand for higher capital investment in development projects. From where will it, therefore, get the additional resources to meet Dr Acharya's suggestion for quick recapitalisation currently estimated at around two per cent of India's gross domestic product?

At the same time, the government can't allow the problem to fester. Just as the government and the RBI got together to expedite the stressed asset resolution process, it is perhaps time for another round of government-RBI cooperation to tackle the recapitalisation issue. Why not persuade the PSU banks to sell their financially better-off subsidiaries and use those proceeds to recapitalise the promoter banks?

Simultaneously, the government could seriously explore the option of reducing its stake in these banks to 33 per cent. In 2000, the Atal Bihari Vajpayee government had announced its plan to reduce the minimum government shareholding in nationalised banks to 33 per cent, without changing their character and after ensuring that the fresh issue of shares is widely held by the people.

That proposal was abandoned in the face of stiff political opposition. Seventeen years later, the political climate has changed and the current government's apprehensions over privatisation seems to be over, as is evident from its recent decision to privatise Air India. Why not announce a grand plan for privatising PSU banks and respond to Dr Acharya's suggestion for a *Sudarshan Chakra*? The question of who can buy them can be handled later.

Tomorrow's world war

BOOK REVIEW

VIKRAM JOHRI

In spite of the bewildering complexity of our world, predicting the future remains a delicious pastime for the global commentariat. So, we are told that driverless cars will take over our roads by 2030, a colony on Mars for survival (and even leisure) is inevitable, and that global warming will make the planet inhospitable over the next 50 years (which is when the Mars idea may come in handy, for those who can afford it).

Military conflict and strategy is a prolific sub-genre of this category, with no dearth of books on the possible war scenarios of the future. Last year's *Ghost Fleet* was a runaway success in the American security establishment for its detailed imagining of a conflict between America on the one hand and China and Russia on the other. Before that, the works of Tom Clancy and Michael Crichton have provided rich pickings for readers eager for conspiracy and sabotage.

Even the non-fiction in this genre must bow to the slipperiness of fiction for obvious reasons. In *2020, World of War*, writers Paul Cornish and Kingsley Donaldson let their imagination soar as they think up war scenarios of the coming decade. From cybersecurity to old-style military stand-offs, they hop from one geopolitical nightmare to the next as they regale, or more accurately, frighten the reader with all that could transpire in the near future.

The main villain is expectedly Russia, which has given ample reasons to the international community to wonder what its ambition under Vladimir Putin are. From its annexation of Crimea to its meddling in Syria, Russian action in the recent past has bordered on adventurism that most analysts believe is aimed at reinvigorating lost Soviet glory. Especially in Syria, where the country ensured the continued reign of Bashar al-Assad, Russian intervention has caused grievous harm.

While Messrs Cornish and Donaldson restate all these problems, they skip the role the country may have played in the last Presidential election. If Donald Trump indeed benefitted from Russian meddling in the polls, it is unlikely that he would target that country openly. Indeed, since he took over, he has spoken against both China and North Korea, but has been loud in his silence on the third pole of the Communist axis.

It is China, then, that presents a far more potent threat to the prevailing world order. With its expansionist designs and mollycoddling of Pakistan, the country's aims are dramatically at odds with those of the West and of saner regimes in the east. Messrs Cornish and Donaldson imagine a scenario where the nation tests the limits of NATO solidarity by attacking Australia. In a book teeming with outrageous scenarios, this one isn't the least plausible, as borne out by Doklam and the Chinese encircling of the South China Sea.

Besides, the threat from China is not merely on the ground; it extends to cyberspace where Chinese hackers have shown remarkable agility in wrecking government websites in the West. Messrs Cornish and Donaldson take this threat to its logical conclusion as they visualise the Chinese state hacking into and disabling the opponent's military hardware in the event of war. This chapter highlights the dangers of too much reliance on technology, especially for conventional warfare.

The authors are also impressive in detailing the threat from non-state actors, particularly with regard to Islamic extremism. Picking up from the migrant crisis that has lashed Europe since 2015, they envision a time when disparate Sunni groups, headed by IS and al Qaeda, unite to launch a caliphate in Europe whose modus operandi will continue to be the lone wolf attacks that the IS has championed. And then, there is Pakistan, which gets a chapter on its misadventure in Afghanistan where it has funded and trained Taliban fighters. Messrs Cornish and Donaldson segue that conflict into the India-Pakistan dispute over Kashmir, and envisage what may already be a reality: A highly radicalised Pakistan Army. Blasts rip through the country, Westerners are kidnapped, and demands are made on India to give up its claim on Kashmir. The proxy war suddenly turns hot but even so, the willingness of the Indian Cabinet to reconsider its no-first-use of nuclear weapons comes as a surprise.

Given the nature of the beast, *2020* can sometimes read outlandish. But if there is one thing the 21st century, whose beginning was marked by an unimaginable and unimaginably bold attack on the world's greatest superpower, teaches us, it is that modernity, democracy and the other comforting systems we propagate as the solution to deprivation and strife, are incapable of realising these lofty ideals. We will always live in a world of conflicts, and while we may not know how or when they come to pass, this book is a knowing primer on all that is plausible.

2020: WORLD OF WAR
Paul Cornish and Kingsley Donaldson
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