

Indian Pharma's Unhealthy Pallor

It's losing sheen as prize manufacture

A serious malady afflicts the Indian pharmaceutical sector. Export growth is virtually flat at \$16.8 billion and, in fact, has declined a wee bit last fiscal. For the high-growth potential pharma industry, which earns 50% of its revenue from exports, the deceleration points to a severe problem at hand. Paucity of blockbuster drugs going off patent and blockage in distribution channels might explain, in part, at least, the drop in exports. But the primary reason is domestic, as pointed out by the recent V M Katoch committee. Figures suggest that more than 75% of bulk drugs — active pharmaceutical ingredients (API) — are sourced from China, along with such advanced intermediates like antibiotics (penicillins), analgesics (paracetamol) and supplements (vitamin C).

The absence, for the most part, of basic research into developing new molecules is a well-recognised problem of the Indian pharma industry. The heavy reliance on Chinese bulk drugs does compromise quality, and which is compounded by lax domestic regulatory standards for drug makers. Last year, for instance, a report by Dinesh Thakur, the Ranbaxy whistle-blower and health activist, pointed out glaring anomalies in our oversight system for drug quality, which need to be rectified without delay. We have a hugely fragmented pharma regulatory system, with as many as 36 state and Union territory licensing authorities, and the standards for testing drug samples even at the Centre seem "vague" and "non-transparent".

An earlier CII study showed that from 2004 to 2013, API imports went up from \$800 million to \$3.4 billion, at a compound annual growth rate of 18%. The Katoch committee called for the revival of public sector bulk drug makers, and development of pharma clusters and attendant tax and duty incentives. The excessive dependence on bulk drug imports clearly makes no sense. We need a forward-looking policy on bulk drugs, including safeguard duties if necessary. India can be the pharmacy of the world, but merely specialising in formulations and importing API and intermediates is plain unhealthy.



Hold Elections, Not Political Games, in TN

The disqualification of 18 dissident members of the All India Anna Dravida Munnetra Kazhagam (AIADMK), Tamil Nadu's ruling party, by the Speaker of its legislature, before they have actually violated a party whip in the House, is partisan and undemocratic. The majority chose AIADMK, under the leadership of its 'supreme leader' J Jayalalithaa, in May last year. The AIADMK was a one-person outfit during Jayalalithaa's leadership: there was no second rung to take over. The 2016 mandate belonged to Amma, not the party. Her demise last December produced chaos, which ended by appointing Edappadi Palaniswami as chief minister and O Panneerselvam as his deputy, a deal brokered by the BJP looking for an entry in Tamil politics.

The 18 MLAs who stand disqualified belong to a rival faction led by T T V Dhinaakaran, a relative of Sasikala, Jayalalithaa's confidante, now jailed on graft charges. If these 18 lawmakers vote against the AIADMK government, it would collapse. By disqualifying them, the Speaker has prepared the ground for the government to have a majority in the truncated House. The right way to determine who has a majority is a floor test, on which the governor is dragging his feet. Now, the disqualified MLAs can go to court and appeal against their ouster. If the principle upheld by the Supreme Court in a disqualification case from Karnataka is applied, the Speaker's action would be reversed.

By-elections to the 18 vacancies created by the disqualification could destabilise the government. But the real question is, do voters still support an AIADMK without Amma? Or, given a chance, would they vote in a DMK-led coalition? The only way to answer this is to dissolve the assembly and call fresh elections within six months. This is the best, most democratic way to restore administrative stability in the state.

Even Without a Flask of Wine and Thou...

Not reading books — the printed version or the e-book, it doesn't matter — has gained a certain cachet in certain circles. Being a non-reader supposedly suggests that one is too busy 'doing things that matter', or that there are other less time-consuming, more attractive means to gain knowledge, information and pleasure. Well, for such utilitarians, there's news: reading books is good for your health. 'Two years of life', to be precise, if you are a 'quantifiables' junkie and believe in a Yale University study. And, no, reading editorials or magazine articles don't count. One is talking about immersive literature like novels or 'narrative non-fiction'. But hang on. Is this some kind of scam cooked up by Nerds Inc to make reading books seem a health and lifestyle virtue? After all, you're not on a treadmill or an Atkins diet while turning pages in a stationary position.

The Yale study insists that reading stories not only strengthens language-processing regions of the brain but also affects neural activity, which, in turn, affects the senses. In other words, reading books changes connections in the brain that affect the way the body functions. So, the next time you diss a bookworm, or flaunt that you don't have time for 'childish' pleasantries like 'reading-shearding', remember two words: two years.

End of the Informal Economy

CURSOR The defining feature of the informal sector is its inscrutability and GST puts paid to it



T K Arun

All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life, and his relations with his kind. Those famous words were not, of course, intended as a description of the impact of the goods and services tax (GST) on India's unorganised sector. But they would do just as well.

GST will put paid to India's informal sector, drawing most of it into the formal universe and killing off much of what is left behind. This change will erode the flexibility the economy derives from informality and has serious implications for India's political economy.

As Sure as Death

Not paying taxes is the holy creed of the unorganised sector, although paying off the rare taxman or the more frequent inspector of labour/factories is accepted as part of the real conditions of life. The small producer supplies parts to other small producers, finished goods for export and to distributors for sale to consumers and parts and services to large firms. Small producer provide big credit to large producers, by way of accepting delayed payment for his supplies.

He pays minimal wages to employees, makes prompt payment to his own suppliers, pays protection money to

the local neta-babu-police nexus and exorbitant rate of interest to those who lend him his working capital in a hardscrabble world where banks and their loans linked to the policy rate set by the Reserve Bank of India are the stuff of dreams and fairy tales. Pierce competition with others of their ilk does not leave them the luxury of paying taxes or honestly for the power they consume.

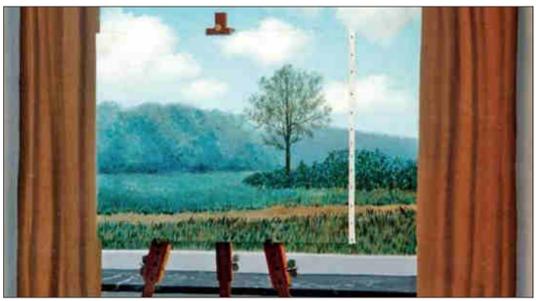
More than 90% of India's workers find employment in the unorganised sector. The Central Statistics Office defines the organised sector in manufacturing as enterprises that employ 10 or more workers, if the enterprise uses power, or 20 or more workers, without use of electricity. The rest are unorganised, naturally.

The National Commission for Enterprises in the Unorganised Sector defined the unorganised sector as the totality of all unincorporated suppliers of goods or services with less than 10 total workers.

These definitions matter less than the sector's role in cushioning the impact of regulation on the economy. Large companies can sidestep laws on minimum wage and working conditions by outsourcing much of the work to small informal firms beyond the scrutiny of the state.

A garment maker, for example, can be fully compliant with all laws by limiting its direct workforce to a small team that designs clothes, specifies the fabric and the time schedule, and performs quality control on what is delivered by tailors and seamstresses toiling away in much smaller units or even at home, located in the informal universe.

If the garment maker grows bigger and starts supplying to global buyers whose customers are squeamish about wearing stuff made by child la-



Through a tax clearly: The Human Condition, René Magritte, 1933

hour or in hazardous conditions, they then start worrying about fixed-term contracts and labour flexibility — while also renting large spaces to house the workers.

Contract workers have replaced regular workers in routine jobs such as cleaning, maintenance and running small errands in most offices. Guards are almost entirely sourced from contractors. These contract workers are on the rolls of informal sector firms that pay them a pittance, whatever they receive for their services from the organised sector businesses that buy those services.

Contagious Transparency

What the big companies that deploy contract workers gain is not so much any saving on cost — they pay all the statutory dues, albeit to the labour supplier — as freedom from carrying on its rolls a large workforce with a growing wage bill.

The informal sector, in other words, is a source of flexibility that the hypocrisy of first-rate labour standards in a combination of third-rate capacity to enforce norms and a bounty of unskilled manpower denies Indian producers.

It also serves as a sink for underemployed labour, refuge for the struggling self-employed and transit home for tiny hobby-horses of daring villa-

gers progressing to urbanising and modernising nodes of a global division of labour.

The defining feature of the informal economy is its inscrutability, that it is beyond official ken. GST is poised to rip apart that concealing veil. In the GST regime, there is a compulsion for all units to be registered with the GST Network and to file returns and upload invoices. If they do not, no one will buy from them.

A bank branch that used to buy its copier paper from a stationer's next door will shun him now, unless he can provide an invoice with GST — the bank needs it to claim input tax credit. The stationer, small as he is, would source his paper from someone who, in turn, would give him an invoice with GST, to reduce his tax outgo. This is the beauty of the tax: it has a built-in incentive to comply.

Compliance with GST means revealing input purchases and sales. That reveals income as well, to the beady eyes of the taxman, who could then open up claimed expenses and verify them. If the GST-paying small producer shows huge interest expenses, the audit trail would lead to the lender, often a member of the neta-babu tribe, and his sources of income. Informality, RIP.

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The Spirit of Inquiry

YOGA VASISHTA

Sage Vasishtha: O Rama, remain unattached, endowed with the spirit of renunciation and with the realisation that whatever you do or experience is an offering to the omnipresent being, Brahmā. Then you will realise the truth, and that is the end of all doubts. What appears to be the world here is the magic (the work) of infinite consciousness. There is no unity here, nor is there duality. My instructions, too, are of the same nature. The words, their meaning, the disciple, the wish (or the effort of the disciple) and the guru's ability in the use of the words are also the play of energy of infinite consciousness. In the peace of one's own inner being, consciousness vibrates and world vision arises. If that consciousness does not vibrate, there will be no world vision.

The mind is but movement in consciousness. The non-realisation of this truth is world vision. This intensifies and aggravates the movement of thought in consciousness. Ignorance and mental activity are perpetuated by each other. When inner intelligence is awakened, the craving for pleasure ceases. He knows it is the energy of the Self that experiences the experiences...

Desire for liberation interferes with the fullness of the Self; absence of such desire promotes bondage. Hence, constant awareness is to be preferred. The sole cause for bondage and liberation is the movement in consciousness. Awareness of this ends this movement. The ego-sense ceases the very moment one observes it, for it has no support any longer. Then who is bound by whom or who is liberated by whom?

WIT & WISDOM

"Don't go around saying the world owes you a living. The world owes you nothing. It was here first."

Mark Twain
Writer

Norway's SWF Grows to \$1 Trillion

The value of Norway's sovereign wealth fund (SWF), the largest in the world, has crossed \$1 trillion for the first time. This amount equals nearly \$189,000 for each of the 5.3 million people living in Norway. SWFI, a tracker of sovereign funds, pegs the value of assets under management of SWFs globally at \$7.4 trillion...

Country	Sovereign wealth fund	Assets (\$, bn)	Origin
Norway	Govt Pension Fund - Global	1,000	Oil
UAE - Abu Dhabi	Abu Dhabi Investment Authority	828	Oil
China	China Investment Corporation	814	Non-commodity
Kuwait	Kuwait Investment Authority	524	Oil
Saudi Arabia	SAMA Foreign Holdings	514	Oil
Hong Kong	Hong Kong MAIP	457	Non-commodity
China	SAFE Investment Company	441*	Non-commodity
Singapore	GIC	359	Non-commodity
Qatar	Qatar Investment Authority	320	Oil & gas
China	National Social Security Fund	295	Non-commodity

Global SWF assets: \$7.4 trillion
MAIP: Monetary Authority Investment Portfolio. GIC: Govt of Singapore Investment Corporation
*Estimated

MEME'S THE WORD



INDIA-JAPAN RELATIONS

Here's the Real Sashimi



Abhijit Iyer-Mitra

What do we make of Japanese Prime Minister Shinzo Abe's visit to New Delhi? On the one hand, it followed an off-repeated pattern in Indian diplomacy: lots of fine-sounding statements and little by way of action on the ground. On the other, the language marks a significant shift in positions of both countries, which may mark a bright future, but which could equally also be dead ends due to structural limitations.

That the India-Japan alignment is 'natural' to begin with stretches credibility. Japan's foreign policy positions, be it on nuclear proliferation, regime change, Russia or West Asia, are almost diametrically opposite to India's. The only real glue in this relationship is a shared fear of China — now considerably exacerbated due to the scale and nature of China's Belt and Road Initiative (BRI), its ongoing support of regional rogue states like North Korea and Pakistan, and most visibly a dramatic increase in Chinese assertiveness.

So what exactly was new this time? On the nuclear front, there were two distinct patterns. The first was the harsh condemnation of North Korea and its suppliers. And, on the other, an anodyne platitude on the entry into force of the India-Japan nuclear deal. What was surprising here was the sharpness of the language condemning North Korea. This served Japan's interests by getting India, North Korea's second-largest trade partner, to abandon it, possibly for good.

Reciprocally, Japan agreed to some fairly harsh language condemning Pakistan's use of terrorism as a tool of foreign policy, the refusal to prosecute wanted terrorists and its continuing tolerance of terror safe havens. What was included in the statement for the

first time, however, was language condemning not just North Korea, but also the need to hold accountable those who have aided and abetted the country's nuclear programme.

This is significant as the blame lies squarely with Pakistan and China. This quite possibly heralds the opening of a new diplomatic front. In conversations with the non-proliferation community over the years, there was almost constant criticism of Chinese proliferation, despite commitments and in clear violation of supplier guidelines.

Yet, the common private refrain — even among permanent members of the UN Security Council — used to be 'Guys, China is too powerful. We have too much trade with them, and we are not going to condemn them openly. We will not facilitate or help their cheating. But we can't stop it either.' It is too early to say, but this could possibly herald an outflanking attack by Japan to enable India's Nuclear Suppliers Group membership, by publicly breaking omertà on China's nuclear cheating and weakening the position of countries trying to block Indian membership.

On the defence front, for the first time, there was mention of joint ground exercises, a significant breakthrough if India decided to host these. While it won't be the first time Japanese troops

have been posted abroad, it would certainly mark a high point — acclimatising Japan's notoriously recalcitrant bureaucracy to the fact that India is now counted as a friend — effectively institutionalising Prime Minister Shinzo Abe's foreign policy preferences. These exercises will be in addition to strengthening the US-Japan-India Malabar naval engagements.

The issue, however, remains as to what exactly these exercises will achieve — given that Indian forces are not networked by multiple suppliers, while Japan has a seamlessly integrated and heavily networked defence force.

Like the last Malabar — when fear of espionage prevented full integration of the (Centrix) Combined Enterprise Regional Information Exchange networking system, and limited the Indian Navy's situational awareness and ability to exploit each other's sensors — there is now a crying need to move past tactically irrelevant choreographed naval ballets into something more substantial. Talk of cooperation on anti-submarine warfare, for example, will remain crippled due to the lack of any meaningful interoperability.

But what was curious was the first-mention of surveillance in the joint statement. This could mark the beginning of cooperation on both information-sharing and the beefing up of Indian surveillance capabilities. This could include moving ahead with plans to blockade the Malaccas in the event of hostilities, both through Japanese cooperation in the development of the new Nicobar aero-naval base, as well as the creation of persistent underwater surveillance to keep constant tabs on Chinese submarine activity.

This visit is positive not so much in tangles but in the potential it holds. So, is this a temporary blip in Indian resolve following Dokalam? Or does this herald a permanent shift? If the latter, it begs the question: can India overcome its traditional lethargy and shed its image as a talker rather than a doer?



More than just a wave?

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Citings

Investing for Impact

VIVEK PANDIT

Rising demand for socially responsible and purpose-driven finance has resulted in new ways of putting capital to work the world over. In the last decade, what is now known as "impact investing", has challenged the long-held view that social returns should be funded by philanthropy and financial returns should be funded by mainstream investors.

The global market for impact investments is projected to grow to \$300 billion or more by 2020, according to the Global Steering Group on Impact Investment. Although this is still a fraction of the total private-equity assets under management — about \$2.5 trillion in 2016 — mainstream investors have entered the arena and are bringing scale to what was earlier considered a niche.

And the dialogue is shifting rapidly from impact investing to "investing for impact". India is fast becoming a test bed for many of these activities. Between 2010 and 2016, India attracted over 50 active impact investors, who poured in more than \$5.2 billion. About \$1.1 billion was invested in 2016 alone.

The volume of deals has remained stable, at about 60 to 80 a year, demonstrating the emphasis on scaling new models of impact. Impact investing can be a vehicle to fund, catalyse and scale approaches that improve millions of lives. High demand for investments is likely to continue as a result of the growing population, underlying economic growth, stable financial markets with a strong rule of law, and large unmet social needs.

From "Impact Investing Finds its Place in India"

Chat Room

A Dam Good Opportunity

Appropos the Edit, "The Nar-mada Valley Project Marches On" (Sep 19), the completion of the Sardar Sarovar Dam has taken 56 years, resulting in huge cost overruns and loss of opportunity, due to protests, litigation, shortage of funds, etc. To utilise the full benefits of this gigantic project, it is imperative that supporting infrastructure like distribution canals, transmission lines, etc, are put in place, and earlier the better. The rehabilitation of the displaced also needs to be attended to on a priority basis.

HEMANTH D PAI
Bengaluru

Consolidation in Indian Banking

The case for consolidation of public sector banks has become stronger now than ever with the banking regulator initiating Prompt Corrective Action against some state-owned banks that are reeling under bad

loans and struggling to meet capital requirements. The Prompt Corrective Action framework is meant to encourage state-

owned banks to eschew some riskier activities, focus on conserving capital and improve their balance sheets. The merger of weak state-owned banks with stronger ones makes sense now for improved governance.

M JEVARAM
Sholavandan

Equal Access & Pay for Women

Besides creating job opportunities in the country, the need is to ensure that both men and women get equal access to apply for a job and receive equal remuneration. What is sauce for goose is sauce for the gander. Examples of countries like Finland and Norway — where about 80% of the women are engaged in full-time jobs — would be worth considering. Women need to be encouraged to be a part of the working population in India as well. It is imperative to provide a safe working environment with opportunities of personal growth and development.

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