



Mixed growth signals

Q4 GDP growth is up, but with inflation risks.
RBI will have to take a call on raising rates

Official data showing the GDP expanding at the fastest pace in seven quarters in the three months ended March 31, a brisk 7.7% at that, is reason for cheer. Given that this has been propelled largely by increases in manufacturing and construction activity is a basis for optimism given that the former contributes almost a fifth of quarterly gross value added (GVA) and the latter about 8%. The rebound in construction is all the more heartening since it is both a creator of direct and indirect jobs and a multiplier of overall output. In the fourth quarter, construction is estimated to have posted a robust 11.5% growth, almost a doubling in pace from the 6.6% in the third quarter, and compares favourably with the contraction of 3.9% seen in the demonetisation-hit year-earlier period. Two key groupings of services that together contributed more than 38% of fourth-quarter GVA – the first comprising trade, hotels, transport, communication and broadcasting; and the second, financial, real estate and professional services – accelerated year-on-year, helping lift full-year sectoral GVA growth. Agriculture, forestry and fishing continued an accelerating trend over the four quarters of the last fiscal, with growth of 4.5% boosting the annual expansion to 3.4%. While the fiscal year's pace for this vital sector is still appreciably lower than the 6.3% in 2016-17, if the quarterly momentum is sustained and the monsoon pans out as forecast, we could see a more broad-based revival in rural demand.

There are, however, pressure points in the estimates of national expenditure. Private final consumption expenditure continues to languish, with the share of its contribution to GDP sliding to 54.6% in the January-March period, from 59.3% in the preceding quarter and 55.2% a year earlier. Government spending too eased in the fourth quarter, as a proportion, to the lowest quarterly level of the last fiscal at 9.5%. Only gross fixed capital formation, which reflects investment demand, provided cause for some comfort as it contributed 32.2%, which was the most in percentage terms since the 32.5% posted in April-June 2016. A sobering thought here is that the very same growth momentum is likely to spur price pressures across the economy that, combined with the bullish trend in global oil, could fan faster inflation. This may leave the RBI with little option but to raise interest rates, possibly as early as next week. Separately, the latest survey-based Nikkei India Manufacturing Purchasing Manager's Index shows manufacturing activity expanded at a weaker pace in May from the previous month amid tepid domestic demand. With borrowing costs set to rise and global trade tensions adding to uncertainties for India's exporters who are yet to capitalise on the rupee weakness, policymakers will need to eschew populism and stick to policy prudence if the tenuous momentum is to be sustained.

Populists in Rome

Finally, Italy has a government, and an edgy dialogue with the EU may be on the cards

The political whirlwind that has swept Italy looks to be dissipating, at least for now. Giuseppe Conte, a little-known academic with an embellished resume, has been sworn in as Prime Minister, after weeks of wrangling between President Sergio Mattarella and a coalition with a slim parliamentary majority. The two-party combine, the anti-establishment Five Star Movement (M5S) led by Luigi Di Maio and the far-right League headed by the rabble-rousing, anti-migrant Matteo Salvini, disbanded plans to form a government after Mr. Mattarella exercised his powers to block the appointment of Eurosceptic Paolo Savona as Finance Minister. The President then decided to order fresh elections and appoint an ex-IMF official as interim Prime Minister, a decision that, if implemented, could have made a bad situation worse. The Eurosceptic coalition partners wasted no time in using the President's actions as a rallying point for their cause. They charged that France and Germany were running Italy and called for Mr. Mattarella's impeachment. The prospect of snap polls, which could have resulted in the populists getting a stronger majority, rattled markets early this week. Italian bond yields hit highs unseen in years and share prices dropped not just in Italy but across Europe, the U.S. and Asia. The coalition, which began serious talks in early May, had toned down some of its anti-European Union demands such as leaving the single currency and some €250 billion in debt forgiveness. But it still planned to spend some €170 billion on income support, and lower the pensionable age and taxes. Without plans to raise adequate revenue to fund the spending, the markets and Brussels got jittery. Italy's government debt is at 132% of GDP, well above the Eurozone average. However, as the week progressed, all sides saw opportunities and a deal was struck, with the President assenting to economics professor Giovanni Tria taking over the finance portfolio. The new government will now have to win a confidence vote next week.

The road ahead for Italy is far from clear. According to official EU surveys, although 59% of Italians favour the euro, just over half "tend not to trust" the EU. Both Europe and Italy would sustain significant damage if Italy left the Eurozone. Fortunately, that is still an unlikely scenario. The current situation, a coalition of populism and the right, is not ideal. But it provides an opportunity to address some of the underlying Italian disenchantment with the EU, perhaps by striking a balance between austerity and populism. Also, Brussels, along with France and Germany, could work with Italy to address economic and social anxieties. A way can be found that protects both the democratic choices of Italians and the stated values and integrity of the EU.

Chasing a rainbow alliance

By-poll results show that Narendra Modi can be challenged. Yet Opposition unity is more easily proposed than achieved



VIDYA SUBRAHMANIAM

When four years ago, the Narendra Modi-led Bharatiya Janata Party (BJP) won a majority of seats in the Lok Sabha, there was not a shred of doubt about the new Prime Minister's pre-eminent position in Indian politics. He was astonishingly popular with a committed, almost fanatical following. As he won election after election, taking his party to the farthest corners, his legend acquired superhero dimensions. Convinced of his invincibility, critics and admirers alike began speaking of 2024 as the election that might challenge him.

Change in the air?

With a year to go before Mr. Modi's term ends, few will dispute that his persona still overwhelms and he has no rivals to match. Yet something somewhere is not quite the same. He can still walk into the fag end of a losing election campaign and turn it around. That's become the expected thing, in fact. But there is a weariness about the victories, a realisation that more often than not they are products of deliberately provocative and polarising messaging. There is similarly a feeling of contrived smartness to Team Modi's stratagem of conjuring governments out of defeat, seen in Goa, Manipur, and most stunningly in Meghalaya, where the BJP won only two of 60 seats. In the recent election to the Karnataka Assembly, the formula bombed and the BJP was

beaten at its own game by the Congress and the Janata Dal (Secular), or JD(S).

Today the BJP is in power, either on its own or with its allies, in 19 of 29 States. Yet there is the paradox of the party winning the big elections and losing the by-polls. In the latest round of by-polls, it managed to win only two of 15 seats (one of each in four Lok Sabha and 11 Assembly seats); it lost the third consecutive Lok Sabha by-poll in Uttar Pradesh. On all three U.P. seats, the BJP's opponents got together to beat it. In Kairana this month, the victory of Tabassum Hasan, a Muslim woman, was particularly significant for defeating the polarisation attempts made during the campaign.

Whatever the future of Opposition unity, there is a message in the statistics for the Prime Minister. In peak form in 2014, Mr. Modi could capture a vote share of only 31.34 % for the BJP, which is historically the lowest vote polled by a party winning an absolute majority nationally. To put this in perspective, with a vote share of 39.53% Rajiv Gandhi lost the 1989 election. With a vote share of 34.52% cent, Indira Gandhi's Congress sat in the Opposition in 1977. How did this happen? Mr. Modi was unassailable against a splintered opposition whereas Indira and Rajiv Gandhi were defeated by a combined Opposition. Also, in the first-past-the-post system, the winner is decided as much by how well the opponent fares. In 2014, the BJP's triumphant march to a full majority was aided equally by the Congress's dismal showing. The BJP had a 12 percentage point lead over its nearest rival. The results might have been different had the Congress performed better or if the Opposition had been



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more united.

If this ought to discomfit Team Modi, consider the fact that in the majority of State Assembly elections held since 2014, the BJP's vote share has dropped well below what it polled in the Lok Sabha election. A comparison shows that in Bihar, the drop was from 29.86% to 24.42%. In Goa, from 54.12% to 32.48%. In Gujarat, where it won all 26 Lok Sabha seats, from 60.11% to 49.05%. In Uttarakhand, from 55.93% to 46.51%; in Karnataka from 43.37% to 36.20% and in West Bengal from 17.02% to 10.16%. The BJP could not do an encore even in U.P. where it picked up 71 of 80 Lok Sabha seats. Its massive haul of 312 of 403 Assembly seats came on a vote share of 39.67%, marking a three percentage point drop compared to 2014.

What-ifs

Should the declining trend continue, the BJP will find it harder to win a majority in 2019. Winning will become an uphill task in the event Opposition unity, dazzlingly displayed at the swearing in of H.D. Kumaraswamy as Karnataka Chief Minister and witnessed in the string of by-elections, stays the course and translates into votes on the ground. Opposition leaders have figured that formidable as the

BJP under Mr. Modi is, it can be beaten comprehensively if the party's opponents form rock-solid state-level alliances. Karnataka, where the Congress and the JD(S) pushed back the BJP via a deftly executed post-poll pact, has shown the way. Estimates suggest that together the two parties might have crossed the 150 mark in the 224-member State Assembly. In the Lok Sabha, a Congress-JD(S) alliance could mean only six of 28 seats for the BJP.

A pre-poll pact between the Samajwadi Party and the Bahujan Samaj Party in U.P. is similarly capable of delivering blockbuster results. A simple addition of the vote shares of the two parties in the February 2017 Assembly election shows them to be match-winners against the BJP. Opposition seat-sharing in Karnataka and U.P. alone can set the BJP back by 70 or more seats, not to mention the magnified effect of the formula being adopted in other States.

This is as far as theory goes. In practical terms, synchronised State-wise Opposition unity is easier spoken of than done. Alliances work best when the vote bases of partners are complementary rather than overlapping or antagonistic, and party workers and leaders alike are able to see the larger picture. Most importantly, alliances work when there is mutual respect and the senior partner or the supporting party does not get carried away by an exaggerated sense of self-worth.

Unfortunately, the history of coalition governments in this country does not inspire confidence. Lofty sentiments expressed prior to alliance formation tend to melt away and ideological considerations take a back seat when the exigencies of seat-shar-

ing and later ministry-making kick in. The Karnataka example is already before us. A week into his Chief Ministerial tenure, an exasperated Mr. Kumaraswamy was quoted as saying he was obligated to the Congress, the senior partner, and not to the people of Karnataka. This is an ominous sign given the Congress's reputation for acting imperious when in a superior position and its unedifying record of pulling down governments at the Centre.

Trail of fallen governments

Between 1979 and 1997, the Congress toppled four governments, led each by Charan Singh, Chandra Shekhar, H.D. Deve Gowda and Inder Kumar Gujral. As he exited, Mr. Gowda reminded former Prime Minister and the then leader of the Congress Parliamentary Party, P.V. Narasimha Rao, of the promise he had made to him: "History will not say that it was because of the Congress party that this government has fallen." To be sure, it is a different Congress that is today in the forefront of Opposition unity efforts. Sonia and Rahul Gandhi have been chastened by the successive routs since 2014, and in any event they are gentler versions of the dictatorial yesteryear Congress bosses.

The Congress has a special responsibility in Karnataka. The model has absolutely to succeed for Opposition unity elsewhere to succeed. One wrong step, one sign of power lust, and the BJP, with all its failures and some more, will come out looking vastly superior to its squabbling opponents.

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The democracy project in Bangladesh

The Awami League government's success in turning around the economy and health care must not be overlooked



SUBIR BHAUMIK

Bangladesh, Lebanon, Mozambique, Nicaragua and Uganda are the "new" autocracies, according to Germany's Bertelsmann Foundation. In its "Transformation Index 2018 (BTI)", it has rated 58 out of 129 developing nations as autocracies.

On Bangladesh, the report says, "Due to the worsened quality of elections, the formerly fifth largest democracy is classified as an autocracy again. These developments are worrying for citizens because corruption, social exclusion and barriers to fair economic competition continue to be more prevalent in autocracies." The BTI has, since 2006, been measuring quality of democracy, market economy and governance in 129 developing and transformation countries. Expectedly, in Bangladesh, while the ruling Awami League

Party has rejected the study as baseless and claimed the country to be a "100 percent democracy", the main opposition Bangladesh Nationalist Party (BNP), has said the report reflects the true nature of Bangladesh's current political climate.

A project manager for the BTI at the Bertelsmann Foundation claims the report is balanced as it has flagged "positive developments" in the economic realm in terms of economic output, macroeconomic stability, market-based competition and private enterprise and also "negative developments" in the political realm such as free and fair elections, the separation of powers and the independence of the judiciary.

A long journey

Since the restoration of democracy after the fall of the H.M. Ershad-led military junta in 1990, Bangladesh has witnessed a change of government every five years. The polls were held under a neutral caretaker administration until the Awami League came to power in December 2008 and scrapped the system using its decisive majority



AFP

in Parliament.

This was necessary because the military-backed caretaker administration put in place earlier had overshot its brief and instead of holding an immediate poll, ruled Bangladesh for two years without any mandate. It was a murder of democracy. The military-backed caretaker also tried to finish the political career of Bangladesh's two top politicians, Sheikh Hasina (picture) and Khaleda Zia, with a 'minus two agenda', as if the conflict in Bangladesh was about a personal ego clash between the two women. Not only did the Western media and civil society underplay the element of ideological conflict between two warring visions of Bangladesh (a secular,

democratic vision driven by the mantra of economic growth versus a replica of Pakistan's religion-driven politics) but it also pandered to a military-driven propaganda that Bangladesh had better prospects if led by a cabal of technocrats, micro- and macro-bankers, military generals and intelligence chiefs.

Awami rule

The last eight years of Awami League rule have proved these self-proclaimed pundits wrong. Bangladesh has achieved phenomenal economic growth and inclusive social and human development in areas such as gender empowerment and public health care. But the West, especially the U.S., has sought to punish Prime Minister Sheikh Hasina for not allowing a free run to the ambitions of Nobel laureate Mohammed Yunus. The BNP leader, Khaleda Zia, had boycotted the 2014 election to protest the absence of a caretaker administration; in any case the campaign of violence unleashed during the BNP's reign in the early 2000s cannot be forgotten. It is odd that this systematic lethal

campaign directed against the Awami League, a party that had led the country to freedom, did not amount to a murder of democracy for the West, but when BNP-Jamaat leaders are jailed for leading and instigating violence, the West has cried 'murder of democracy'. A top U.S. counter-terrorism expert has been profuse in his praise of Bangladesh's counter-terrorism effort that has largely contained the spiral of Islamist radicalism post-2014 when a murderous campaign targeting secular bloggers, writers, publishers and even folk singers threatened the very soul of a secular, syncretic Bangladesh.

India has a huge stake in having a friendly regime in Dhaka for strategic and economic reasons. Our democracies in Asia have many limitations but there is no reason to let the West use that to misrepresent or subvert these national sovereignties.

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LETTERS TO THE EDITOR

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Poll scorecard

A significant fallout of the BJP having been put on the back foot, first in Karnataka and now in the by-elections, is perhaps a refurbished role for many of the regional parties. The BJP can no longer afford to treat them as country cousins even as the Indian National Congress must necessarily improve its attitude towards them. Should the glue that now binds them have enough shelf life, we could be in for a spell of coalition governments. In that event we can only hope that the future of Indian politics is shaped by able regional leadership rising above trite politics. The fading away of caste-based vote banks would be a welcome bonus.

R. NARAYANAN,
Navi Mumbai

■ The reverses have highlighted the fact that the 2019 Lok Sabha election will not be a cakewalk for the Bharatiya Janata Party and its allies. Importantly, the combined Opposition needs to keep its momentum. By-elections are a key indicator of which way the wind of public support is

blowing and the BJP has a major reason to worry.
GREGORY FERNANDES,
Mumbai

In the House

In this age of political turbulence, the interview with former Rajya Sabha Chairman P.J. Kurien has come as a ray of hope. His well-balanced replies laced with the right perspective reflect his acumen as a seasoned politician. The fact that he bears no malice towards anyone is exemplary. The points he has raised must be addressed in the right spirit for our vibrant democracy to survive (OpEd page, "The Wednesday Interview" - "Stress and strain are increasing in Parliament," May 30).

T.V. SREEKUMAR,
Puducherry

The Deve Gowda years

The writer (OpEd page, "Reassessing Deve Gowda" May 30) has done a good job highlighting the achievements of H.D. Deve Gowda. But, the article was lop-sided. It almost read like an electioneering speech delivered by a follower or a sycophant of the former

Prime Minister. The writer should have dealt with a few of the challenges the former leader could not understand and those he did not touch upon. He could have tried to assess his tangible contribution to the nation in comparison with our other Prime Ministers who ruled for short periods.

O.R. PRAKASH,
Hosabettu, Mangaluru

Going the biofuel way

The government's move to approve a new national policy on biofuels is a step that could have been thought of much earlier (Editorial - "Green push?" May 30). While India is said to be interested in the "E10" type of biofuel, Brazil is an expert in propagating the use of the "E85" type. India can seek Brazil's technical assistance in implementing the use of green (fuel) technology. Pursuing this option can ensure farmer welfare.

VINOTH KUMAR,
Thiruvannamalai, Tamil Nadu

■ Oil imports affect the energy security of India. Therefore, a complementary biofuel (ethanol) industry using domestically produced feedstock (agricultural

biomass) is most welcome. Though ethanol is now produced from stock-rich materials such as corn and sugarcane it can also be made from cellulosic biomass such as wood, forage and waste (without diverting agricultural products from food use). Ethanol use will reduce greenhouse gas emissions in the transport sector.

A.N. HENRY,
Coimbatore

■ Punjab and Haryana face an emergency-like situation every year as a result of stubble burning. The State governments and the Punjab Pollution Control Board have failed to control this as the reason farmers cite is that there is no viable alternative. Farmers, already facing distress, cannot collect crop residue as it requires labour, which means more expenses. The national policy can help solve the problem of stubble burning. It requires investment in the remotest areas but will create jobs. Cultivation of mustard and sunflower for biofuel use will also help in crop diversification.

AMRINDER SINGH MANN,
Sangrur, Punjab

What next for AI?

It is well known, as the media often highlights, that Air India has a nearly ₹50,000 crore debt. However, this amount is nothing when compared to the scale of bank frauds in India. Now that the plan to sell the airline has come a cropper, the government should write off the amount and entrust the airline to an able administrator.

R. GANESAN,
Chennai

■ As former Union Civil Aviation Minister Ashok Gajapati Raju used to say, the government was looking for a *bakra* to buy the airline, but with the humongous amount of debt in its account books, no business house in its right mind and senses would have wanted to inherit such liabilities. The Narendra Modi government should not be disheartened by the response and should use this instead as a second opportunity to turn around the airline. A good, no nonsense manager can work wonders provided there is no political interference. I am sure the airline's staff recognise their own predicament and will extend

support to such an idea. There is no dearth of managerial talent in the country and Air India's revival can be made a textbook case.

MEHER MISTRY,
Mumbai

Spot fixing

Spot fixing in cricket has again reared its ugly head but it is not surprising ("Sport" page - "Eternal vigilance is the price of clean sport", May 30). There are two categories of players involved. The first are the gifted and established players who have made a fortune. In the process, they develop all types of contacts which include punters. Some of them succumb to lucre. The second and most vulnerable category consists of fringe players who have no formal education because the pursuit of cricket has consumed their time. These players realise that their shelf-life is limited and look to make a quick buck. Both spot fixing and match fixing will continue as long as new 'players' keep emerging.

V. LAKSHMANAN,
Tirupur, Tamil Nadu

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