EDITORIAI



The other debt issue

The deterioration in the finances of the States needs to be urgently addressed

or the first time in 11 years, in 2015-16 the com-→ bined fiscal deficit of India's 29 States as a proportion of the size of their economies breached the 3% threshold recommended as a fiscally prudent limit by successive Finance Commissions. The Reserve Bank of India has warned that the States' expectation to revert to the 3% mark in their 2016-17 Budgets may not be realised, based on information from 25 States. While the Central government has projected a fiscal deficit of 3.2% of GDP for this year, States expect to bring theirs down further to 2.6% - still higher than the average of 2.5% clocked between 2011-12 and 2015-16. Whichever way one looks at it, the steady gains made in States' finances over the past decade seem to be unravelling. Chief Economic Adviser Arvind Subramanian has asserted that the 3% of GDP benchmark for the fiscal deficit of the States or the Centre is not a magic number. Yet, it serves as an anchor for fiscal discipline in a country whose two biggest crises in recent decades - the balance of payments trouble in 1991, the currency tumble in 2013 – were precipitated by fiscal irresponsibility.

Taking on the massive debt of their chronically lossmaking power distribution companies, as part of the UDAY restructuring exercise steered by the Centre, has surely dented the States' fiscal health significantly over the past couple of years. With private investment remaining elusive, the States' focus on bolstering capital expenditure in sectors such as transport, irrigation and power is welcome (States' capital expenditure as a proportion of their GDP has been higher than the Centre's since 2011-12). But it is important that such funding remains sustainable and States stay solvent. Tepid economic growth hasn't helped, and States have had to resort to higher market borrowings even after the Centre hiked their share from tax inflows to 42% from 32%, starting 2015-16. The Centre has been short-changing States by relying on special levies such as surcharges, cesses and duties that are not considered part of the divisible tax pool. So, instead of a 10% rise in the States' share of gross tax revenue, the actual hike in 2015-16 was just 7.7%. The forthcoming Goods and Services Tax regime should, it is to be hoped, correct this anomaly to an extent. But there are other potential stress points: Pay Commission hikes, rising interest payments, the unstated risks from guaranteeing proxy off-budget borrowings by State enterprises, and the boisterous clamour for ad hoc loan waivers. The N.K. Singh panel on fiscal consolidation has recommended a focus on overall government debt along with fiscal deficit and a 20% debt-to-GDP ratio for States by 2022-23. Not just the Centre, but States (with outstanding liabilities to GDP of around 24% as of March 2017) also need to tighten their belts considerably from here, even as they await the constitution of the Fifteenth Finance Commission.

A great wall of paranoia

As China pushes ahead with B&RI, India must reconcile geopolitical interests with wider developmental goals



ZORAWAR DAULET SINGH

n a consequential development over the past week, India de-L cided to stake out a clear position of defiance against the Belt & Road Initiative (B&RI), an ambitious Chinese idea that seeks to reshape the Eurasian geo-economic space. India's absence in Beijing's high-profile summit with representatives from over 100 countries. including 29 heads of state, has evoked surprise and debate. What is the calculus driving India's China policy? Does India risk isolation as Eurasia moves towards a new chapter of connectivity and interdependence?

Delhi's position can be clearly gauged from the Ministry of External Affairs' May 13 statement. The China-Pakistan Economic Corridor, a flagship project of the B&RI, is seen as a blatant disregard for India's position on Jammu and Kashmir because it passes through Pakistan-occupied Kashmir, But Delhi's protest goes beyond the "core concerns" over sovereignty. The objection to the B&RI is actually more deep-rooted, namely, that China's rise and projection of geo-economic influence is a direct challenge and threat to India's great power aspirations and traditional position in the subcontinent.

Two contending viewpoints

One influential strand of Indian thinking is that unless and until India develops its own regional connectivity plans and economic capacities at home, there can be no serious engagement with Chinesesponsored projects. Any premature engagement is likely to entrap

India and stunt its rise. An alternative view is that India's rise itself needs engagement and connections with the wider Asian and Eurasian economies, especially in the post-2008 crisis world which has reduced the viability of the previous liberalisation model of drawing in western capital and basing India's growth on a handful of service sectors linked to the West. In these changed circumstances, the B&RI is seen to provide an alternative source of finance capital and manufacturing opportunities to buttress India's economy.

The first view is based on an image of intense competition and rivalry and leaves little room for collaboration. The second competing view is based on an image of interdependence where the idea of growth and development cannot occur in isolation from the world's second-largest economy. Both world views have some merit. The problem really lies in India's inability to imagine security more holistically and reconcile geopolitical interests with wider developmental goals.

Learning from others

If we carefully examine the approaches of the major powers and India's immediate neighbours, we can discern a more sophisticated strategy of dealing with China.

Both the U.S. and Russia are proceeding rapidly with their bilateral cooperation with China. Russia, of course, is central to any Chinese trans-Eurasian vision for the most basic reason: geography. Even a cursory glance at a map reveals that any long-range connectivity projects require active cooperation and coordination with Moscow and its Central Asian allies. Three of the six corridors outlined by China as part of the B&RI – the China-Mongolia-Russia corridor, the new Eurasian Land Bridge, the China-Central Asia-Western Asia economic corridor – all imply Russian cooperation. American companies too are deeply interested in opportunities that would accrue from B&RI projects and are scrambling to partner Chinese firms as well as hoping to serve as industrial suppliers in specific infrastructure projects. This is probably why U.S. President Donald Trump sent a senior White House official to Xi Jinping's summit.

Clearly, neither of these great powers is, therefore, likely to buy into a zero-sum Indian interpretation of the initiative. This is not to suggest that the U.S. and Russia are unconcerned about their spheres of influence around China's extended periphery. Rather they have chosen a policy of enhancing interdependence along with pursuing their own geostrategies of upholding traditional political-military alliances. Russia, for example, is developing its own connectivity project called the Eurasian Economic Union, which is actually at a far more advanced stage of institutional development having already established a single market for its five members

Even in the subcontinent we can notice clear trends of a complex approach towards China. India's neighbours such as Nepal, Bangladesh, Sri Lanka and Myanmar are all pursuing economic cooperation with China on a growing scale while also maintaining close connections with India and reassuring Delhi about their foreign policies and geopolitical orientations. It is instructive that all of India's immediate neighbours, except Bhutan, sent representatives to the Beijing summit. This triangular setting suggests it would be extremely challenging, if not impossible, for Delhi to persuade South Asia to curtail or cut off ties with China. What India can realistically do is shape the type of relationship that its neighbours pursue with China and uphold certain redlines such as coming down heavily on regimes that invite China's military to establish a foothold in the subcontinent.

Chinese neo-colonialism? Finally, the underlying premise in

much of the Indian debate that Asia, and South Asia, is ripe for Chinese neocolonialism or imperial expansion can be refuted. Asia's national identities are much too strong for state agency to be brushed aside. Can anyone, for instance, make a credible argument that Vietnam – a country that has resisted China for a millennia - will fall under the dragon's sway because of an engagement with the B&RI? What about Russia, one of the world's strongest military

powers with a history of geopolitical experience in Eurasia? Will it fall under China's spell because a few billion dollars were invested in its economy or on its Central Asian periphery? Of course not! Even closer home, a tiny island state like Sri Lanka has apparently resisted certain provisions for port usage in the Hambantota project with China on sovereignty grounds. Almost every Asian state has a litany of issues with China's rise but is pursuing a complex strategy of adapting without in any way folding up. There is little evidence of bandwagoning or the proverbial dominoes toppling into a Chinese sphere of influence.

The notion that China can literally purchase "regional leadership" by financing infrastructure or lending money is ludicrous. Power stems from something much deeper. It requires consent and an ability to provide public goods. China's internationalism has, so far, been more materialistic than ideational, relying largely on the lure of capital and commerce. This cannot be an enduring prerequisite for order-building. It is instructive that the Chinesesponsored or promoted institutions that have gained the most multilateral traction - such as the Asian Infrastructure Investment Bank, the New Development Bank, the Shanghai Cooperation Organisation – are the ones that are perceived to offer public goods and are built around a semblance of democratised norms or rules.

In short, there's more room to shape the ongoing power transition towards a multipolar world. Schizophrenia and paranoia cannot be substitutes for smart and sober statecraft, which must include dealing directly with China.

Zorawar Daulet Singh is a Fellow at the Centre for Policy Research, Delhi

The long journey of a forgotten people

Sri Lanka's hill-country Tamils want to be seen as rightful citizens, not passive beneficiaries



MEERA SRINIVASAN

Narendra Minister ime Modi's public rally on May 12 with Sri Lanka's hill-country Tamils, on the second day of his two-day visit to the country, was a success, if you went by conventional markers such as the crowd

community's economic and political significance. In Sri Lanka's key 2015 presidential elections, hillcountry or Malayaha Tamils decisively voted for the President Maithripala Sirisena-Prime Minister Ranil Wickremesinghe opposition combine that ousted the authoritarian Mahinda Rajapaksa regime.

A story of neglect

Hill-country leaders who met Mr. Modi sought greater assistance in education, which remains a crucial need. Most estate schools lack teachers for mathematics and sci-



exclusion. The highly politicised trade unions have weakened as the estate labour force has shrunk. A widespread wage struggle last year was defused by companies that ultimately had their way. Even as a professional and business class emerges from the community, many women plantation workers are migrating to West Asia to work as domestic help, for meagre wages in highly exploitative conditions. Some return home only in coffins. Slow political steps In their 2015 vote, hill-country Tamils made an important political shift, breaking away from the CWC that supported Mr. Rajapaksa, and backing younger leaders from new parties who formed the Tamil Progressive Alliance (TPA). Now Ministers in the government, they have been vocal in their disappointment over slow progress on many fronts, including post-war reconciliation with minorities and a political solution to Tamil grievances. Notably, they are eager to position Malayaha Tamils as national player, like the majority Sinhalese, minority Tamils of the north and east, and Muslims.

rest of the island. Last December, the cabinet decided to provide seven perches of land to estate residents - a belated but important step to address their landlessness. India too has offered to build 14,000 houses, a drop in the ocean of the nearly 1,60,000 homes the community needs. Acknowledging the estate sector as "most deprived", the national unity government unveiled an ambitious National Plan of Action for the Social Development of the Plantation Community (2016-2020), but what it will do with it remains to be seen.

In Iran, it's still Hassan Rouhani's election to lose

High-stakes battle

 \mathbf{Y} ith Iranians going to the polls on Friday to elect a President, the odds appear to be in favour of the incumbent, Hassan Rouhani. Since the 1979 Revolution, all but the first President of the Islamic Republic, who had been impeached, have served two terms. Mr. Rouhani is particularly popular among the reformist section of the electorate, and is seeking to return to office on a clear political platform of integrating Iran further with the global order and initiating reforms at home. Still, his victory in the first round, for which he needs more than 50% of the vote, is far from certain. In 2013, after eight years of Mahmoud Ahmadinejad's rule, which saw Iran's international isolation grow and repression at home harden, voters across the spectrum rallied behind Mr. Rouhani. He had promised to break Iran's isolation, resolve the nuclear crisis through diplomatic means and turn that into economic benefit for all citizens. He delivered on some of those promises. He clinched the nuclear deal and oversaw greater Iranian engagement on the world stage. But he has yet to make good on his goal of attracting foreign direct investment and modernising the economy. It is partly not in his hands. International companies and banking giants still shy away from making deals with Tehran. Though the UN-mandated sanctions on Iran were lifted after the nuclear deal, the non-nuclear sanctions imposed by the U.S. are still in place. The expected thaw in relations between Washington and Tehran did not take place in the wake of geopolitical tensions in West Asia. Worse, the Trump administration's anti-Iran rhetoric is not only scaring off western investors but also playing it into the hands of the hardliners in Iran.

The hardliners now see an opportunity to take back power from the "elitist" Mr. Rouhani. Ebrahim Raisi, a cleric and a former aide of the Supreme Leader, Avatollah Ali Khamenei, is Mr. Rouhani's main rival. Though Mr. Khamenei has not openly endorsed any candidate, the clerical establishment's preference is no secret. The Iranian presidency is not a strong institution compared to other presidential systems. In the Islamic Republic, real power lies with the Supreme Leader, who is not directly elected by the people. Nonetheless, the office of the President lends credence to the country's theocratic system, and a visionary, popular leader can manoeuvre within the limitations and push his agenda gradually. Mohammad Khatami, one of Mr. Rouhani's predecessors, tried to do so, with limited success. Though his first term was not flawless, Mr. Rouhani has demonstrated that he is capable of navigating through Iran's complex power dynamics, perhaps more efficiently than Mr. Khatami could. It is now his chance to convince voters to give him one more term so he can continue this gradualist but substantive reform agenda.

he drew or the cheers that arose from it. But its real outcome is rather limited compared to the wide-ranging needs of the historically neglected community.

That an estimated 35,000 people from in and around the central highlands converged on the small town of Norwood - many walking over 5 km since buses clogged the narrow roads – partly reflects the affinity the Tamils feel for India, from where their ancestors moved to Sri Lanka about 200 years ago. Moreover, hill-country politicians put in their might to moĥilise workers, campaigning widely across the tea estates that employ a fourth of the over one million-strong community.

Mr. Modi's visit to the region, the first by an Indian Prime Minister. was a strong affirmation of the ence, limiting higher education and employment choices for students. While Sri Lanka takes pride in its public health delivery and indicators, services in plantation areas are woefully inadequate. The India-funded hospital he inaugurated is no exception. Short-staffed and overburdened, it is struggling to serve the local community.

Indian assistance to a deprived region is certainly welcome but, at best, can only supplement what Sri Lanka ought to deliver to a forgotten people.

Several decades of neglect by the plantation companies and the state, that earned huge profits and export revenue from the estate workers' cheap labour, have pushed hill-country Tamils to the margins of society. Northern Tamils underplay their sacrifices in

the armed struggle, forgetting that many of the Liberation Tigers of Tamil Eelam cadre who died in the final offensive in May 2009 were those who migrated from the hill country. Often quick to empathise with the northern Tamils, Tamil Nadu politicians are never heard speaking for Malayaha Tamils, who came from the State to work in British-owned plantations. Even New Delhi's attention to these Sri Lankans – of most recent Indian origin - seems an afterthought, and coincides with their growing political clout.

After decades of struggle over citizenship and the largely patronage-style politics of the Ceylon Workers' Congress (CWC) that traditionally represented them, the community has hardly escaped its

It will take substantial political commitment from the government to deliver what is due to this community and bridge the gap between the hill country and the

Given the task ahead and the limits to what an external actor can do, the euphoria around Mr. Modi's visit not only appears misplaced but also has the danger of reinforcing hill-country Tamils as passive beneficiaries rather than rightful citizens. When he addressed Malayaha

Tamils at the Norwood grounds, he hailed them as the "indispensable backbone of Sri Lanka". Quoting a couplet from the Thirukkural, he assured them: "Wealth will find its own way to the man of unfailing energy and efforts". Clearly, he missed the irony of saving this to a community whose toil and tears have been unrewarded for two centuries.

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LETTERS TO THE EDITOR Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

Raids and searches It is ingenuous to suppose

that the CBI searches at Karti Chidambaram's residence and offices on the one hand and I-T searches at Lalu Prasad Yadav's homes and firms on the other have nothing to do with politics ("FIR filed against Karti on corruption charges" and "I-T raids over Lalu's land deals", both May 17), They hardly look like "operation clean-ups". The narrative being scripted by the BJP that all leaders in the Opposition are corrupt while corruption is anathema to all its own leaders may not go far. The "relentless" fight against corruption becomes problematic when it is so transparently selective. Incidentally, the BJP refuses to make public the sources from where its funds come. What is worse is when sections of the media assume the role of overseeing the "moral battle", even as they make the best use of "incriminating" hard disks.

by "independent" government agencies to suit their brand of journalism. Is all this in aid of the 2019 general election? G. DAVID MILTON, ancode. Tamil Nadu

• One cannot fault the BJP for going about a key agenda of eliminating corruption. In this connection, one recollects BJP MPs being asked by the party high command to submit details of their wealth and assets. The common man and the Opposition have the right to know whether this was done. The CBI had earlier earned the sobriquet of being a "caged parrot" and the "Congress Bureau of Investigation". If Opposition party leaders alone are subjected to raids then, unfortunately, the BJP is being double-faced about the extermination of corruption. R. KRISHNAMACHARY,

Kick-starting a plan The Congress party's move documents and data shared to start a nationwide

campaign "to expose" the BJP government's three vears in power is welcome ("Three years of lies, coverup: Congress", May 17). As the principal Opposition party, it is imperative that the party looks at the BIP's governance track record. The development and growth stories being trotted out by the government's managers are hardly showing on the ground. Serious issues such as drought, agrarian distress, price rise, the burden of non-performing assets and job losses are being swept under the carpet in the absence of a strong and vigilant Opposition. There is a ray of hope that this campaign is to be spearheaded by secondgeneration leaders of the Congress. J. ANANTHA PADMANABHAN Tiruchi

Winning back Kashmir

It is widely believed that the death of Burhan Wani triggered the current spate of unrest in Kashmir. Sadly, it has been almost a year

and there are few signs that the situation will abate any time soon ('The Wednesday Interview' - "'We need to find a way around this jingoism'," May 17). Given that Kashmir is the most sensitive region in the subcontinent and for India, constitutes a defining aspect of its sovereignty, any form of instability in the region has to be dealt with carefully "Winning hearts" has become the political currency but making it a reality will require a comprehensive package of ingenious political strategy. Within the framework of national sovereignty, Kashmiris must be given the maximum latitude to define their destiny. It must be the endeavour of civil society and the political community to guide victimised youths while exposing the doublespeak of separatist elements. Political parties need to forgo their political differences and create an atmosphere of sustained

political dialogue. The

people of this paradise will

•••

certainly respond positively if sincere attempts are made to reach out to them. BIBHUTI DAS, New Delhi

Gold still rules The continued preference Indians have for gold cannot be termed as a tradition. Instead, it shows a lack of confidence in exploring other income-generating financial assets available in the market other than bank deposits. If the 'quest for gold' is to be changed, a structural reform of the financial sector is required so that people start shedding inhibitions about investing in other financial products (Editorial - "Gold shines", May 17). Demonetisation also

affected the confidence of the ordinary man who is generally unskilled in financial matters. RADHAKRISHNAN M.V., Thrissur, Kerala

Politics and Rajinikanth

'Cartoonscape' (May 17) says it all. Actor Rajinikanth would do well to stay away from murky politics, which does not seem to be his cup of tea. Having dominated the tinsel world for decades, his fans would like his 'superstar' image to be intact. Though MGR's success in politics may be inspiring, Mr. Rajinikanth needs to tread cautiously. P.K. VARADARAJAN, Chenna MORE LETTERS ONLINE:

CORRECTIONS & CLARIFICATIONS:

In the report headlined "Goyal rebuffs RBI on UDAY" (Business page, May 17, 2017), the full form of UDAY was wrongly given as Ujjwal Discom Awas Yojana. It should have been Ujjwal DISCOM Assurance Yojana.

YK

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