



Missing demand

Slowdown has widened across sectors; the new government must hit the ground running

A welter of data collectively and individually point to one worrying conclusion: economic momentum across sectors is slowing in the widening absence of that key ingredient, demand. Domestic sales of cars, commercial vehicles and two wheelers all contracted in April, from a year earlier, the Society of Indian Automobile Manufacturers (SIAM) has reported. The decline of almost 16% in total automobile industry sales is an indication that consumption demand across markets – urban and rural, institutional and individual – is petering out. While sales of commercial vehicles, a fair proxy for overall economic activity, slid 6% last month, a 16.4% drop in demand for two-wheelers extended the segment’s slump into the new financial year, mirroring the rippling rural distress. The data on passenger vehicles, which saw the steepest drop in almost eight years, add to the gloom. Car sales shrank almost 20% amid a protracted slump that shows no signs of a reversal. The latest industrial output figures from the government serve to underscore the widespread nature of the demand drought. The Index of Industrial Production (IIP) for March shows output fell 0.1% from a year earlier to a 21-month low, with the use-based classification revealing a weakening that spared none of the six segments. The capital goods sector shrank by 8.7% on the back of an 8.9% contraction in the preceding month. Output of consumer durables fell 5.1% from a year earlier, and growth in consumer non-durables production slid to 0.3% from the 14.1% pace in March 2018.

Manufacturing, which has a weight of almost 78% in the index, continues to be the biggest drag, with output contracting by 0.4% after shrinking by a similar extent in February. Overall, the sector’s growth slowed to 3.5% in the last fiscal, from 4.6% in 2017-18. The composite picture that emerges from all these numbers belies the CSO’s implicit fourth-quarter GDP growth assumption of 6.5%, and paints it as overly optimistic. With global headwinds strengthening in the backdrop of an escalating trade war between the two largest economies, the U.S. and China, and rising tensions in West Asia beginning to push up energy costs from the top oil-exporting region, Indian policymakers have to contend with an external sector that would likely only add to the domestic pressures, most certainly in the near term if not in the longer. The distress in the farm sector may just ease marginally if the monsoon does turn out to be “near normal” as forecast last month, and could help spur a demand revival in the rural hinterland. Still, the new government that emerges after May 23 must spare little time in drawing up appropriate policy measures that not only help reinvigorate demand but also ensure that such a revival is robust, across-the-board and enduring.

Miles to go

South Africa’s Cyril Ramaphosa must use his election victory to reform the ANC

Cyril Ramaphosa, victor in South Africa’s recent presidential election and head of the African National Congress, is celebrating his win and the peaceful transition of power from his predecessor Jacob Zuma. But he must equally be aware that there is a daunting challenge that awaits him in the realm of economic reform, institutional reinvigoration and breaking from a past of political corruption that has hobbled the country’s prospects for much-needed growth. To begin with, the ANC won just under 58% of the vote, while the main opposition Democratic Alliance won about 21%, the Economic Freedom Fighters 11%, and the 45 smaller parties together won almost 11%. That is a considerable proportion of overall votes for the ANC, but nevertheless marks a disconcerting secular decline in its tally, which was as high as 69% in the 2004 national elections but slid steadily downward to almost 66% in 2009 and to 62% in 2014. The dwindling popularity of the party that swept gloriously to power in 1994 following the defeat of apartheid, has been coterminous with the rise of a corrupt political elite that indulged in what is now widely recognised as “state capture” – rent-seeking built on the marketisation of the South African state. Given that Mr. Zuma, who stepped down in 2018 in the wake of corruption scandals, allowed this culture of venality to flourish, Mr. Ramaphosa will have to apply a scalpel to the ANC itself: trim the Cabinet and oust those associated with illicit dealings.

The President will also have to be deft in terms of steering the economy through choppy waters. The rate of unemployment is now at 27%. This raises the already high levels of stress on tottering public finances and social welfare programmes, which must cater to at least 17 million people. A positive step forward here would be for Mr. Ramaphosa to deliver on his promise to tackle the “public patronage” system, at the heart of which are the inefficiency ridden state-owned enterprises. In his victory speech he vowed to end corruption “whether some people like it or not”. Indeed, no task is more urgent than this, for it is only by stemming the leaks in public finances that the government can hope to pump funds back into the public services for education, health, and social security. This in turn could directly improve the welfare of the poorest South Africans, mostly youth, who have relatively few marketable vocational skills and opportunities, and are left to fend for themselves in the private sector. While Mr. Ramaphosa has made a decent start by changing the leadership of the tax authority and the national prosecutor’s office, the danger for the administration lies in the realm of politics. To deliver on the promise of economic growth and good governance, Mr. Ramaphosa must stand ready to power through any resistance to reform by the ANC old guard, some of them Mr. Zuma’s avowed allies.

Inching closer to the brink

As the U.S. provokes Iran, the onus is on Europe to somehow stand by its end of the nuclear deal



There is no dearth of conflicts in West Asia. The Israeli-Palestinian conflict has defied resolution for seven decades. The fight against the Islamic State and its offshoots in Iraq and Syria has drawn in the U.S., Russia, Iran and Turkey, while the civil war in Yemen has heightened tensions between Saudi Arabia and Iran. U.S. President Donald Trump’s announcement of the U.S.’s unilateral withdrawal from the Iran nuclear deal (the Joint Comprehensive Plan of Action, or JCPOA) a year ago added to this volatile mix and set into motion a dynamic that is fast approaching crisis point.

The deal at risk

The JCPOA was the result of prolonged negotiations between 2013 and 2015 between Iran and P5+1 (China, France, Germany, Russia, U.K., U.S. and the European Union). It would not have worked but for the backchannel talks between the U.S. and Iran, quietly brokered by Oman, in an attempt to repair the accumulated mistrust since the 1979 Islamic revolution. Barack Obama has described the JCPOA as his greatest diplomatic success as U.S. President. Iran was then estimated to be months away from accumulating enough highly enriched uranium to produce one nuclear device. The JCPOA obliged Iran to accept constraints on its enrichment programme backed by a highly intrusive inspection regime in return for a partial lifting of economic sanctions.

Mr. Trump had never hidden his dislike for the JCPOA, calling it a “horrible, one-sided deal that should have never, ever been

made”. After ranting about it for a year, he finally pulled the plug on it on May 8 last year. Having replaced Rex Tillerson with Mike Pompeo as his Secretary of State, and H.R. McMaster with John Bolton as National Security Adviser in March last year, the decision was easier as both Mr. Pompeo and Mr. Bolton share his extreme views about the JCPOA and the Iranian regime with equal fervour. By November 5, the U.S. had re-imposed sanctions on Iran that had been eased under the JCPOA.

The U.S. decision was criticised by all other parties to the JCPOA (including its European allies) because Iran was in compliance with its obligations, as certified by the International Atomic Energy Agency (IAEA). The fact that the U.S. unilaterally violated a legally binding (Ch VII) UN Security Council resolution (2231) mattered not an iota.

Iran declared that it would continue to abide with the restrictions imposed on its nuclear activities under the JCPOA as long as the EU would uphold the promised sanctions relief. Mr. Trump’s criticism of the JCPOA was that it did nothing to curb Iran’s missile development or its destabilising regional behaviour. His primary cheerleaders in denouncing the JCPOA were Saudi Crown Prince Mohammed bin Salman and Israeli Prime Minister Benjamin Netanyahu. The Europeans shared some of Mr. Trump’s concerns but unanimously declared that the best way forward was to faithfully implement the JCPOA and then negotiate further.

‘Maximum pressure’ on Iran

In keeping with its strategy of ‘maximum pressure’, on April 8, the U.S. designated the Islamic Revolutionary Guard Corps (IRGC) a foreign terrorist organisation, a move rejected by the U.K. and European allies. It is the first time that U.S. has named the military of



another country ‘terrorist’. Given the IRGC’s involvement in large parts of Iranian economy and relations with Hezbollah, the U.S. designation of the IRGC makes it difficult for Iran to get a clean chit from the Financial Action Task Force (FATF) in June.

Eight countries, including India, were provided a six-month waiver by the U.S. to continue Iranian oil imports as long as they showed significant reductions. India brought its oil imports down from around 480,000 barrels per day (bpd) to 300,000 bpd. These waivers lapsed on May 2. Civilian nuclear cooperation at Bushehr, Arak and Fordaw was being undertaken by Russia, China, France, Germany and the U.K. under a waiver that has been curtailed and now needs to be renewed every 90 days, making things difficult. The waiver for shipping out excess heavy water (Iran can keep only 130 MT) and low enriched uranium (Iran can hold 300 kg) has been revoked.

Over the last year, the U.S. has imposed new sanctions in an attempt to strangle the Iranian economy, leading to heightened tensions. In a clear signal, Mr. Bolton announced on May 5 that the U.S. was deploying an aircraft-carrier strike group (USS Abraham Lincoln) and a B-52 bomber force to the Persian Gulf “in response to a number of troubling and escalatory indications and warnings”. The new threats have not been elaborated.

On May 8, Iranian President

Hassan Rouhani declared that following U.S. announcements, Iran would no longer observe the ceilings of 130 MT of heavy water and 300 kg of low enriched uranium, and excess production would be retained within the country. He clarified that “Iran does not want to leave the agreement; today is not the end of the JCPOA”. Given the current rate of heavy water production and uranium enrichment, it is unlikely that the ceilings will be breached. Since Iran is observing the verification arrangements, any increase in production will be monitored by the IAEA.

Mr. Rouhani also announced a window of 60 days for other JCPOA members to make good on their commitment to ensure sanctions relief, failing which Iran could undertake uranium enrichment above 3.67% (a restriction under the JCPOA) and resume construction of Arak heavy water reactor (this was mothballed). This would mean the end of the JCPOA.

The U.S. responded by announcing additional sanctions on Iran’s industrial metal industry, the second largest export item after oil. In addition, a USS Arlington (transporter of amphibious vehicles and aircraft) and a Patriot missile defence battery have also been deployed.

Critical test for the EU

Many observers have described Iranian action as a ‘minimalist response’ to ‘maximum pressure’. However, Mr. Rouhani made it clear that the decisive moment would come after 60 days. It is a warning, particularly to the Europeans, that Iranian patience is running out. After committing to evolving an arrangement to bypass dollar-based transactions to enable sanctions relief to continue, the EU announced the setting up of the Instrument in Support of Trade Exchanges (INSTEX) on January 31. Promoted by the U.K.,

France and Germany and based in Paris, it is currently limited to pharmaceuticals, medical equipment, food and agricultural products. Eventually, it is to be extended to third countries and cover oil exports. Iran set up its counterpart body, the Special Trade and Finance Institute (STFI), on April 29. If EU decision-making is protracted, Iran too is a difficult negotiating partner.

Mr. Trump keeps insisting that the U.S. does not want war and believes that ‘maximum pressure’ will bring Iran back to the negotiating table or even bring about regime change. He says he is waiting for a telephone call from Tehran, ready to negotiate a ‘better deal’. Iranians are a proud people and such a call is not going to come. Last year, Iran’s decision to continue observing the JCPOA was based on the idea of outlasting a single-term Trump presidency. As a second term for Mr. Trump becomes likely, Iran knows that it needs to develop its nuclear capability beyond the point of no return to ensure regime survival. This is the lesson from North Korea.

Many in the U.S., as well as Israel and Saudi Arabia, hope that the heightened military pressures will tempt Iran into a provocation which can be used to justify a U.S. military response. If this happens, it will throw the region into prolonged turmoil, unravelling boundaries established nearly a century ago.

The EU has long wanted to be taken seriously as an independent foreign policy player. Here is its diplomatic moment – can it strengthen INSTEX enough to persuade Iran to stick with the JCPOA, or will it only end up issuing pious calls for restraint all around?

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Facing the climate emergency

The politics of the climate crisis needs a radical transformation – people’s movements are a spark of hope



SUJATHA BYRAVAN

A recent paper in the *Proceedings of the National Academy of Sciences of the U.S.A.* shows that global warming during the past half century has contributed to a differential change in income across countries. Already wealthy countries have become wealthier and developing countries have been made poorer in relative terms during this time. India’s GDP growth penalty between 1961 and 2010 is in the order of 31% for the period, whereas Norway gained about 34% on a per capita basis. More recently, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services has reported that, worldwide, the abundance of species has reduced by at least one-fifth, about a million species are under threat of extinction in the next few decades and 85% of wetlands have been lost.

None of these stunning scientific findings made banner headlines. The Economic Advisory Council to the Prime Minister did not hold an emergency meeting to discuss the loss of economic output because of climate change or the effects from loss of biodiversity

in India. The manifestos of the political parties contesting the Indian general election barely took note of questions relating to climate and environment. Instead, it is “business as usual” or “life as usual” in the familiar news cycles of bickering and politics.

Instances of collusion

What we have, moreover, are numerous instances of elite networks that are taking advantage of the situation to consolidate their control. These networks often involve governments actively or quietly colluding with fossil fuel companies, agro-industrial elites, financial elites and other big businesses that are ignoring climate change and making a fast buck often even from the growing disasters. The International Monetary Fund estimates in a recent working paper that fossil fuel subsidies were \$4.7 trillion in 2015 and estimated to be \$5.2 trillion in 2017. It goes on to say that efficient fossil fuel pricing would have reduced global carbon emissions by 28%.

The Arctic is melting rapidly and the tenor of the recent discussions among Arctic countries suggests that even as increasing glaciers melt is responsible for opening up shipping in the area, superpowers are angling to access wealth from the oil, gas, uranium and precious metals in the region.

Mozambique recently had two successive intense cyclones, Idai



and Kenneth, with widespread devastation. In an article in *The Nation*, Dipti Bhatnagar, a local activist, describes how big oil and energy companies have been eager to tap into Mozambique’s liquid natural gas, with large banks from many countries involved in the financing. In 2013, bank loans for \$2 billion were guaranteed by the Mozambican government. When the government defaulted on its loans and the currency plummeted, it left behind a trail of woes. The story in Mozambique is of how “corrupt local elites collude with plundering foreign elites” and enrich themselves and their partners, while the people are left to bear the burden of debt.

While this kind of corruption may not be new, various versions of this are played out in other countries. Governments’ corporate cronies and plundering elites, of course, need not be foreign. Environmental laws can be broken by old boys’ networks with impunity as penalties are cancelled by a party in control. It is the poorest and those without access to power

who become victims of the fallout from these situations. Another recent example is the draft Indian Forest Act of 2019, which enhances the political and police power of the forest department and curtails the rights of millions of forest dwellers.

Ear to the ground

Policies and commitments make it clear that most governments and businesses are not interested in dealing with the climate and ecological crises. They will certainly not give these the central attention they deserve in these times of an emergency; they barely even acknowledge them. Luckily, what we are witnessing is a large-scale movement for “planet emergency”, climate and ecology. Greta Thunberg has been leading this among school-going children, and Extinction Rebellion has been organising “die-ins” in many parts of Europe and now in Asia. Their non-violent civil disobedience is just what is needed and it is indeed inspiring to see children and grandparents protest together. People’s movements, whether made up of students or adults, cannot be ignored for long and governments will have to pay attention.

The atmosphere now has concentrations of over 415 parts per million (ppm) of carbon dioxide, compared to 280 ppm in pre-industrial times. But then, fossil fuel companies and politicians have known about climate change for at

least 30 years. They have funded misinformation regarding climate directly, taking lessons from tobacco companies that propagated lies for decades about cigarettes being safe. The documentary film *Merchants of Doubt* describes how a handful of scientists have obscured the truth on global warming so that business profits can continue to flow. The fossil fuel industry has also funded politicians, so their words and laws are already bought.

About a major overhaul

The only solutions that governments and business are looking for are those that enable them to carry on as before. But the planet is well past that point where small fixes can help take us on a long path to zero carbon earth. We are now at a stage where we need major overhaul of our lifestyles and patterns of consumption. The U.K. Parliament became the first recently to declare a climate emergency. It remains to be seen if appropriate actions will follow this declaration. When a 16-year-old speaks with far greater clarity and conviction than the thousands of dithering policy wonks who have been debating for over three decades, we know the politics of the climate crisis must undergo a radical transformation.

Sujatha Byravan is a scientist who studies science, technology and development policy

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.

Trade standoff

It is appalling that the clash of the world’s economic titans, the U.S. and China, *vis-à-vis* their sordid tariff war, has now escalated (Page 1, “China hits back, imposes tariff hike on U.S. goods worth \$60 bn”, May 14). Undoubtedly, the trade war has been initiated by the myopic U.S. President, who has been playing to the domestic gallery. While no one can deny the fact that the U.S. has a gaping trade deficit with China, the truth is that it can be traced to China’s Confucian work ethic, which gives it an edge in trade. One hopes that wiser counsel will finally prevail and the two countries will arrive at a compromise. Even if there are no

scheduled official meetings between the two countries, opportunities should be explored on the sidelines of the G20 Summit in Japan in June to set the ball rolling.

NALINI VIJAYARAGHAVAN,
Thiruvananthapuram

A different India

The article, “An eye-opening rap on politics” (Editorial page, May 14), betrays the writer’s dislike of the Prime Minister. For argument’s sake, even if it is ‘conceded’ that Mr. Modi is neither a ‘Chaiwala’ nor a ‘Chowkidar’, it must be said that he has never utilised his power and positions to enrich either himself or his family members unlike many of our ‘so-called’ secular leaders. Needless to say, all these ‘honourable’

leaders have had no compunction in converting their parties into fiefdoms. Had the writer chosen to write a critique solely on *Gully Boy* without dragging the Prime Minister into it, he would have earned many an admirer.

C.G. KURIAKOSE,
Kothamangalam, Kerala

Voter turnout

The fall in the voting percentage in certain constituencies, especially in Delhi, is not unexpected. For one, many government employees on election duty that day were unable to cast their votes as they were not given the election duty certificate, which would have enabled them to vote at the polling station they were assigned to work in. In

other instances, employees on duty did not receive postal ballot papers despite following procedures. There was deletion of voter names too. Meanwhile, when it comes to both enrolling people as voters and then exercising that right, those living on the margins such as the homeless, tenants, students and migrants, continue to find the election machinery unaccountable and opaque. It would be better and more efficient for the Election Commission of India (EC) to work to protect and enlarge the rights of the marginalised than to focus on gimmicks. The EC needs to open itself to receiving and reflecting over feedback, including well-intentioned criticism, from

the public and organisations such as the Association for Democratic Reforms which are working to deepen electoral democracy in India.

FIROZ AHMAD,
New Delhi

Field reflections

The IPL final between Chennai Super Kings and Mumbai Indians was thrilling but one thing in Twenty20 cricket is that it is the bowlers who seem to play a decisive role in a

team’s success. It is also a format where losses don’t really wound players’ hearts, which is why there seems to be much bonhomie after a game. Much more serious cricket will be upon us soon in the form of the 50-over World Cup. National teams will be in action, and the passion, the hurt and the anger will be raw.

J. AKSHAY,
Bengaluru

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CORRECTIONS & CLARIFICATIONS:

The headline of the front-page story on Auto sales (May 14, 2019) is incorrect. It said: “Auto sales plunge 16% across segments to a 10-year low”. The text of the story said that in the past 10 years, the industry had not seen a decline across all segments at the same time. The headline should have been: “Auto sales plunge 16% across segments in April”.

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