



Online retail flip

Walmart's controlling stake in Flipkart shows why the government must update policy

India's e-commerce market, which accounts for less than a tenth of its overall retail opportunity, has just got a significant thumbs-up from American supermarket giant Walmart. It has announced a plan to buy a controlling stake of around 77% in home-grown e-commerce firm Flipkart for a sum of \$16 billion. In the process, Walmart has pipped rival Amazon, which is just behind Flipkart when it comes to its share of the Indian e-commerce pie and has independently been vying to acquire the Bengaluru-based company. China's Alibaba, with its investment in Paytm Mall, is vying to compete in the space as well, along with the likes of Snapdeal, which around this time last year was being linked to a much-speculated merger plan with Flipkart. But the big battle for Indians' e-tail space, for now, will play out between two of America's biggest companies. Not surprisingly, traditional retail players have responded with willingness to adapt to this paradigm shift and consider strategic alliances with online rivals. Interestingly, Walmart investors have voted against what they saw as an expensive bet, with the firm losing about \$8 billion in value on the bourses after the deal was finalised. Though e-tail may have changed shopping habits among swathes of Indians, it remains heavily dependent on discount-peddling. Flipkart, in particular, has reported accumulated losses of ₹24,000 crore.

Walmart is betting on the future growth it can unlock from this full-frontal entry into a market that has proved difficult despite its best attempts for over a decade. The company had entered India in 2007 but exited the joint venture with the Bharti group and restricted its operations to cash-and-carry stores, in the face of strict curbs on foreign direct investment (FDI) in the multi-brand retail sector. These restrictions, ostensibly to protect smaller retailers, have remained in place under the NDA government, belying expectations of a reset. Facing heat at home from Amazon, which is now moving from online-only to a brick-and-mortar plus e-tail model, this is a vital time for Walmart to get into India's business-to-consumer segment. That this deal doesn't ruffle extant policy restrictions, in fact, reveals the inefficacy of India's approach to retail FDI in a rapidly changing global marketplace. Local trade lobbies as well as swadeshi advocates are determined to resist the deal, while analysts are wondering how Walmart will turn around Flipkart's cash burn rates. However, for India's policymakers, neither of these should matter. It is important to assess if, and how, the U.S. firm will integrate Indian suppliers into its international operations. Most importantly, it is time to nudge the debates that have dominated India's retail FDI policy – big versus small, local versus foreign – to create a truly level playing field where all can compete, without artificial safeguards that can be overcome via such deals.

Mahathir's surprise

Malaysians bring back the 92-year-old veteran in a historic election

Mahathir Mohamad's spectacular victory in Malaysia's elections has the potential to spur democratic movements across Southeast Asia, where one-party rule and the military's preeminence are pervasive. Winds of change could be in the offing, with elections looming in a number of countries. A clear majority for the opposition Pakatan Harapan (Alliance of Hope) in the new federal legislature signals Mr. Mohamad's resounding comeback. Outgoing Prime Minister Najib Razak's overall economic track record was not sufficient to salvage the ruling Barisan Nasional (National Front), or its principal party, the United Malays National Organisation. Neither did his government's stringent curbs on media freedoms, last-minute meddling with electoral constituencies and promises of generous handouts do the trick. This is a historic transition, with UNMO ousted from power for the first time. Mr. Mohamad had helped found UNMO, held power between 1981 and 2003, and in 2009 handpicked Mr. Razak for the big post. Now, the 92-year-old challenged the party that was once his, with the single objective of overthrowing his old protégé. Mr. Razak's alleged involvement in a multi-million-dollar embezzlement scandal in a sovereign wealth fund appears to have turned the popular mood. Investigations in several countries into investments in the fund, 1Malaysia Development Berhad, dented the country's reputation as a regional tiger economy. The scandal and Mr. Mohamad's strong Malay nationalist credentials gave the opposition the momentum it had long sought. Also, he forged an alliance with his arch-rival, Anwar Ibrahim, the leader of the Alliance of Hope, now in prison.

Mr. Mohamad's return to the Prime Minister's office after more than a decade coincides with the recovery of global commodity prices to Malaysia's advantage. A regional heavyweight in the 1980s and 1990s, he was known for grandstanding on Asian values of collective well-being over the West's emphasis on individual rights. He may find little need for such sermons on the world stage today, given the West's diminishing appetite to hold leaderships to account on their human rights record. In any case, Mr. Mohamad has recast himself, and his promise to uphold the rule of law will strike a chord among both his domestic audience and across the ASEAN belt. The region has come to regard lack of democratic accountability as stumbling blocks to consolidating gains from economic integration. It remains to be seen how Mr. Mohamad honours his word to hand over charge to Mr. Ibrahim, whose return to politics is subject to a royal pardon. That would be a statesmanly gesture to cap an epoch-defining victory.

It's not about the nuclear deal

The U.S. won't ease the terms of sanctions on Iran as the goal is regime change in Tehran



CHINMAYA R. GHAREKHAN

If – and that's a big if – the leaders of the U.S., China, South Korea and North Korea succeed in concluding a deal on the denuclearisation of the Korean peninsula as well as on a peace treaty formally ending the Korean War, they would be front runners for the Nobel Peace Prize. That deal could appropriately be called a Joint Comprehensive Plan of Action (JCPOA) if it lays down a detailed blueprint for denuclearisation, with provisions of intrusive inspections. The only thing that could stand in their way is Iran.

There should be little doubt that U.S. President Donald Trump's real, but of necessity undeclared, objective in withdrawing from the Iran nuclear deal is a regime change in Tehran. This goal is even more ardently desired by Israel and Saudi Arabia. Ever since Iranian President Mahmoud Ahmadinejad made particularly provocative statements about Israel, Israelis of all political persuasions have wanted to get rid of the regime in Iran. The Saudis have openly called for cutting off the head of the (Iranian) snake. Thus, three important and powerful states have a congruence of interests seldom seen in recent times.

Iranian discontent

There have been frequent and persistent reports in the Western media for several months about large-

scale demonstrations and protests by Iranian people against the regime. Living conditions are difficult. Iran did not get the goodies that it expected after signing the JCPOA. Inflation is high. The Iranian rial is trading at 75,000 to the dollar. People are angry with the government. According to the well-researched work *Democracy in Iran: Why It Failed and How It Might Succeed* by American academic Misagh Parsa, disaffection among the people has manifested itself in several forms. Hundreds of mosques do not have imams and the attendance at Friday prayers has dwindled dramatically. Some are converting to Christianity and, according to Professor Parsa, even to the Baha'i faith, which is the largest non-Muslim community in Iran. Professor Parsa states that there is massive corruption as well as economic inequality in Iran. All in all, he suggests that it is quite likely that there might be a revolutionary upsurge, though he is careful not to indicate any timeline for it.

A different calculation

It is this discontent that Mr. Trump might be counting on tapping. His calculation seems to be that the reimposition of severe sanctions would render life very difficult, almost unbearable, for the populace who might, in the absence of other avenues, take to the streets, as they did in 1979 to overthrow the Shah's regime which too, like the present one, had strong military and oppressive secret services such as the Savak but which could not defeat public anger, frustration and rage. For these reasons, Mr. Trump is unlikely to listen to



voices of reason or to appeals from his Western allies. He is equally not likely to grant exemptions from sanctions to any country engaging in any form of trade and other transactions with Iran. His administration will follow strict interpretation of the guidelines regarding the sanctions regime.

Maturity of diplomacy

Iran has shown restraint, forsaking knee-jerk reaction. It did not declare that the deal was dead, as it might well have done. It did not announce immediate resumption of uranium enrichment, which it emphasised will be at the industrial level. It has so far not called off International Atomic Energy Agency (IAEA) inspections. Iran will consult with the other signatories to the JCPOA for several weeks before taking any further action. This shows the maturity of Iranian diplomacy. It remains to be seen how long France and others will stick to their position of continuing to adhere to the deal; they will eventually have to fall in line in some way with the Americans, if not for political then for economic considerations. For Mr. Trump, the Republicans are fully with him and the Democrats will be too eventually.

Will Iran live up to the Ameri-

can calculation? For the present, Mr. Trump's decision has strengthened the hardliners. President Hassan Rouhani, regarded as a moderate, has no option but to take a defiant stance. The Iranian people, proud as they are of their heritage, will stand behind their regime. But there may come a time when their hardships reach a stage when they might feel compelled to take to the streets.

In the meanwhile, Iran will even more vigorously support the Bashar al-Assad regime in Damascus, in which it will be joined by Russia and Hezbollah, which has done very well in the parliamentary elections in Lebanon this month. The Houthi rebels in Yemen will feel more emboldened to take on the Saudi-led coalition; of course, the Yemeni people will continue to suffer, as will the Syrian people, for years to come. Iran will more directly intervene in Iraq and render the possibility of progress in the non-existent peace effort in Afghanistan even more difficult.

If the regime in Tehran does not collapse, the Washington-Jerusalem-Riyadh axis might look for an alternative course of action, not excluding military. In that case, the Nobel Peace Prize will elude Mr. Trump.

Prime Minister Narendra Modi has established special relationship with Israel and its present Prime Minister, Benjamin Netanyahu. He has also made efforts to forge intimate relations with the U.S. With both India has the upper hand, since it is they who want to sell expensive military hardware to India. Under the circumstances, India has made a well-drafted two-sentence statement on the Trump

decision. The first strikes a balance between Iran's right to develop nuclear energy for peaceful purposes as also the international community's concern to ensure that its nuclear programme remains strictly peaceful. The second sentence contains implicit disapproval of the American decision and warns, again implicitly, against any strong military action. For India, the question will also be: can it rely on the U.S. to honour even its written word embodied in international agreements? Mr. Trump wants to annul every single achievement of his predecessor – Obamacare, the North American Free Trade Agreement, the Trans-Pacific Partnership, the Paris Agreement, and now JCPOA. India will have to remain vigilant in dealing with this administration; it would not be prudent to assume that it is a special case.

Fallout for India

The impact on India will be severe. The price of crude is already close to \$80. Energy imports from Iran will become difficult and expensive. Fuel prices will go up. The Reserve Bank of India might have to increase interest rates to contain inflation and step in to check the fall in the rupee's value. All this might have a direct bearing on politics, given the fact that the government was the beneficiary of low crude price for the first four years but may have to face consequences of inflation and attendant factors in its fifth.

Chinmaya R. Gharekhan, a former Indian Ambassador to the United Nations, was Special Envoy for West Asia in the Manmohan Singh government

Pokhran II, twenty years later

The liability law and the Fukushima accident have changed India's nuclear energy outlook



T.P. SREENIVASAN

Twenty years ago, on May 11, 1998, India took a leap into the unknown world of nuclear weapon powers with the tests at Pokhran. Though the decision was taken after great deliberation and with preparation, how the reaction of the world would affect the future of India was unknown. But today, it is certain that the action was timely and inevitable.

Obstacles removed

India has reason to be satisfied over having accomplished many of the objectives of Pokhran II. Indian diplomacy triumphed in turning a grave crisis into an opportunity by securing legitimacy for its nuclear arsenal and removing obstacles in generating nuclear power. But the hasty enactment of a liability law, which inhibited nuclear trade, and the setback globally to nuclear power on account of the Fukushima disaster stood in the way of India benefitting fully from Pokhran II and the subsequent agreements reached. The fact, however, remains that the 1998 tests and the subsequent nuclear deal have brought India to the nuclear mainstream and opened up the global nuclear mar-

ket for development of nuclear power without signing the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) or the Comprehensive Nuclear-Test Ban Treaty (CTBT).

The tests shocked the world, particularly because they were done with utmost secrecy and the India-U.S. ties hit rock bottom. For nearly two months, the U.S. refused to have any dialogue with India and implemented the Glenn Amendment for the first time. Newer sanctions were imposed, and at one point it looked that relations would never recover.

The talks between U.S. Deputy Secretary of State Strobe Talbott and Foreign Minister Jaswant Singh over the next two years were the most comprehensive dialogues India had with the U.S. on its nuclear policy, including the threat perception and future plans for security. India was anxious to have the sanctions lifted, but Mr. Singh sought to delink sanctions from the security dialogue, not to be pressurised to take quick decisions. Mr. Talbott began by insisting that the objective was to get India to sign the NPT. Then he listed five benchmarks as non-proliferation goals to normalise relations: signing the CTBT, halting production of fissile material, strategic restraint, strengthening export control regimes, and normalisation of relations with Pakistan. These were strongly rejected by India, but the talks proceeded on the assumption that India's securi-



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ty concerns should be fully understood and that India would take certain measures to suit its new status. But, in effect, India met the U.S. demands more than half way, leading to an understanding, which led to President Bill Clinton's visit to India and Prime Minister Atal Bihari Vajpayee's visit to the U.S. in 2000. India refused to sign the CTBT, but declared a moratorium on testing; agreed to join the Fissile Material Cut-off Treaty negotiations without halting fissile material production; reaffirmed minimum deterrent without giving any number of warheads; and agreed to strengthen export controls. Additionally, India declared no-first-use and commitment to disarmament. Though no deal could be struck, the foundation was laid for what became the nuclear deal in 2008.

Though India placed its civilian nuclear facilities under perpetual safeguards, its nuclear assets remained fully insulated against external scrutiny and interference. India secured rights to receive uninterrupted nuclear fuel supplies

as a trade-off against safeguards. It kept open its right to acquire advanced enrichment and reprocessing technologies, although it would require bilateral negotiations with the U.S. and others. India's sovereign right to test a nuclear device in the future has remained intact, although the deal would be in jeopardy in such an eventuality. President George W. Bush and Prime Minister Manmohan Singh remained committed to the deal throughout the negotiations and made decisive interventions at crucial moments. Apart from the specific gains in the nuclear area, the new India-U.S. partnership, which promised investment and high technology, was a turning point in Indian foreign policy. On the negative side, the deal generated mistrust in Russia and China, which had to be dealt with in future years.

Reality check

Ten years after signing the deal, its gains and losses have proved much less game-changing than it was hoped in 2008. Though not a champion of the deal as a Senator, President Barack Obama committed himself to the implementation of the deal as part of his strategy to build good relations with India. But his personal affinity to the NPT and non-proliferation made him reluctant to interpret the I23 Agreement liberally. The expectation was that the prospect of nuclear trade with India would be a great attraction, but in 2009 Mr.

Obama gave clear indication to his advisers that he would not sacrifice his non-proliferation agenda for commercial reasons. Much has happened since then, but the fact remains that there has been no nuclear trade till today. India's nuclear liability law, forced on the government by critics of the deal, became a smokescreen for the U.S. to not supply nuclear material to India. The repeated declarations about a way out of the liability law and plans to set up American reactors in India after Narendra Modi became Prime Minister have not changed the lack of enthusiasm in the U.S. on nuclear trade with India. In any case, the situation has become more volatile after Donald Trump became U.S. President.

Another major event that has shaken confidence in the value of nuclear power in India's energy mix was the Fukushima disaster. It has changed the global nuclear power scenario beyond recognition, though India has maintained that it is "business as usual". The government's recent decision to build more indigenous reactors points to the fact that the dream of imported nuclear reactors dotting India has disappeared. India's focus has rightly shifted to solar and other new sources of energy.

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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.

Trump on Iran deal

By withdrawing from the Iran nuclear deal, U.S. President Donald Trump has set a bad precedent for his meeting with North Korean leader Kim Jong-un ("Deal breaker", May 10). At a time when there is an unprecedented thawing of relations between the two Koreas, it is important to build trust, not break it. Mr. Trump's decision is likely to affect the U.S.'s relations with North Korea too.

UTKARSH AGRAWAL,
Allahabad

Mr. Trump seems to want to consistently contradict or reverse his predecessor's policies. He withdrew from the Paris Agreement, tried to repeal Obamacare, and now has withdrawn from the Iran deal. With the U.S. withdrawing from the Iran deal, it will be interesting to

see how the other countries who signed the Joint Comprehensive Plan of Action fulfil the agreement.

KALPESH SHARMA,
Patiala

Iran is known to export terror to its neighbours. The sanctions relief that was given to the country during the period of the nuclear deal went to Syria and Yemen. It is an unreliable nation and many were sceptical about Iran's nuclear energy programme which was intended to destabilise West Asia. Mr. Trump should be congratulated for his bold decision.

A. THIRUGANASAMBANTHAM,
Coimbatore

Popular and powerful

It's great news that Prime Minister Narendra Modi has been ranked among the 10

most powerful people in the world by Forbes ("Narendra Modi among top 10 most powerful people in the world: Forbes", May 10). Mr. Modi's popularity can be attributed, among other things, to his bold demonetisation move which was intended to tackle money laundering and corruption. As Forbes said, he's also been a key figure in tackling climate change.

A.J. RANGARAJAN,
Chennai

Election debates

In the past few years, there has been a big increase in rhetoric in campaigning, aimed at appealing to voters' prejudices ("Remembering and forgetting in Karnataka", May 10). Leaders and voters are busy debating the

relevance of historical figures and discussing gaffes but are ignoring election manifestos and the promises made by parties. One really wonders whether we need to follow the American style of debate during elections. This may push leaders to focus on real issues rather than attack one another.

JIDDU AKSHITH REDDY,
Hyderabad

PM candidate

The Prime Minister has ridiculed Congress president Rahul Gandhi for projecting himself as a possible prime ministerial candidate ("Modi takes on Rahul for 'ready to be PM' remark", May 10). He says Mr. Gandhi is arrogant, but Mr. Modi's own response is improper and arrogant. It is uncalled for. Mr. Modi says Mr. Gandhi's statement is a

blow to the democratic system. On the contrary, in a democracy, any citizen has the right to express such an ambition and contest elections. It is time for Mr. Modi to concentrate on development rather than continue to attack the Congress.

K.R. SRINIVASAN,
Secunderabad

The state of the Taj

I cannot believe that the Archaeological Survey of India has told the Supreme Court that it cannot provide

socks to everyone and that visitors' dirty socks have caused discolouration of the Taj Mahal ("Dirty socks, algae behind Taj discolouration, ASI tells SC", May 10). What a sorry excuse. Do we not have the expertise to solve a problem like this? Or is it just a lack of will? I hope this issue is treated as priority because preserving our heritage is priority.

BIDYUT KUMAR CHATTERJEE,
Faridabad

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CORRECTIONS & CLARIFICATIONS:

>> In the report headlined "Iran sanctions will take six months to be fully effective" (May 10, 2018), the name of the co-chair and CEO of the Washington-based Nuclear Threat Initiative should read as *Ernest J. Moniz* – and not *Earnest J. Moiz* as published.

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