



## A political ploy

The hefty hike in MSPs will not benefit all farmers — agri-reforms are essential

The Centre has cleared a hike in the minimum support prices (MSPs) for the kharif summer crop, ranging from a modest 3.7% increase for urad to as much as a 52.5% for the cereal ragi over the previous season. The NDA government says this 'redeems' its promise of assuring farmers a price at least 150% of the cost of production. The Commission for Agricultural Costs and Prices is said to have gone by this cost-plus-50% principle, in line with the farm sector strategy announced in this year's Budget. While making calculations, it relied on estimates of input costs actually paid by farmers and the imputed value of unpaid family labour engaged in the field. Yet, the final hikes announced for some crops are even higher — with the MSP for bajra pegged 97% over estimated costs. On an average, the MSP hike notified for 17 kharif crops is about 25% higher and constitutes the biggest hike since 2013-14. All in all, the announcement is an olive branch to farmers who over the past year spearheaded widespread protests over the rural distress. With less than a year to go for the general election, the NDA government has clearly opted to reverse the abundant, inflation-wary caution it had exercised while fixing MSPs. In fact, soon after assuming office in 2014, it had even admonished State governments for granting bonuses over and above the MSPs.

Given that the MSP mechanism is primarily enforced through official procurement only for wheat and paddy, mere announcement of prices for other crops is unlikely to suffice in ensuring farmers get those returns. Anticipating this, the Budget had promised that Niti Aayog would work with the Centre and States to put a fool-proof mechanism in place so that farmers get adequate remuneration if market prices slip below the MSP. This could be through government purchases or a gap-funding mechanism whereby the difference between MSPs and market prices is transferred to farmers. Little is known on the status of this endeavour, or the Centre's procurement strategy for this year. As things stand, the impact of these hikes on consumer price inflation is expected to vary between 0.5% and 1% by the end of 2018-19. On the other hand, the Centre's fiscal arithmetic may not be too adversely affected if its outlay on procurement is around ₹15,000 crore, about 0.1% of GDP. But these costs could mount based on the procurement strategy and the new mechanism for MSP enforcement. While rural incomes may rise from this farm-friendly gesture, concomitant reforms to free agricultural markets are vital to prevent a distortionary effect on farmers' choices on account of MSPs. Easing onerous stock-holding limits under the Essential Commodities Act and avoiding frequent curbs on farm exports are key.

## Merkel's deal

The German Chancellor averts the government's fall with a compromise

Angela Merkel, now in her fourth term as German Chancellor, has weathered many crises without jeopardising the stability of the government in Berlin, or the integrity of the eurozone. After an inconclusive election in September 2017, she held firm against the demands of smaller parties that seemed incompatible with her moderate and accommodative stance. In March, the initially reluctant centre-left Social Democratic Party (SPD) saw wisdom in reviving the grand coalition with Ms. Merkel's conservative Christian Democratic Union as the only realistic option to avert another poll. This week she resolved a row on the refugee question that could have ended the CDU's 70-year alliance with its sister party from Bavaria, the Christian Social Union, and risked her government's fall. Horst Seehofer, the Interior Minister from the CSU, wanted migrants to be immediately turned back to the country of their original registration in the European Union. The Chancellor held that the proposal was at odds with the bloc's principle of free movement as embodied in the Schengen passport-free zone and would undermine EU unity. Under the latest compromise, asylum seekers registered outside Germany would be accommodated in transit centres on the border with Austria and sent directly to the respective states. The step represents a victory for Mr. Seehofer, a staunch opponent of the open-doors approach on migration who had threatened to resign from his party and government positions. The compromise is a further dilution of Ms. Merkel's bold 2015 move to allow about a million refugees into Germany, which was subsequently softened by setting annual limits to curb inflows. As a junior partner in the current coalition, the SPD had expressed scepticism over the latest proposal, insisting that it fell outside the scope of the original agreement with the CDU. While echoing the concern that the transit centres not be reduced to internment camps, Ms. Merkel has given an assurance that people could not be held for long periods under the country's constitution.

Clearly, Germany's major mainstream parties are faced with the dangers that liberal and centrist forces are up against across the EU and elsewhere. The number of refugee arrivals into Germany has fallen significantly since 2016. But the issue has acquired renewed urgency in view of elections scheduled for October in Bavaria. The CSU is anxious to arrest the erosion of its popular base in favour of the far-right Alternative for Germany (AfD) and has been lurching further to the right itself. The perilous consequences of that slant have been evident in several EU states, the hollowing out of the political middle-ground and strengthening of extreme forces. On the other hand, the reality of mass immigration today calls for a concerted approach on conflict resolution and respect for the rule of law.

# The new trade order

There is little sign that Donald Trump will be turned from his protectionist path by appeals on the virtues of trade



PHILIP I. LEVY

Since the start of the year, U.S. President Donald Trump has lashed out at allies and adversaries alike on trade. Often, as with India, the U.S. has pushed for enhanced security cooperation at the same time it declared trade relations a national security threat. The belligerence has left many baffled.

### Some pointers

A first question is why the Trump administration is launching its trade wars. There are at least three possible explanations worth considering: an actual *casus belli*, as with complaints about Chinese practices; a phantom *casus belli*, as in the preoccupation with meaningless bilateral trade deficits; or, finally, it might just be a straightforward desire to block trade.

The evidence seems to point to the last possibility — simple protectionism. While the U.S. has significant concerns about Chinese economic practices, such as China's aggressive approach to acquiring intellectual property from American businesses, the administration has been unable to focus its demands on these practices. When, a year ago, China offered a deal to address its steel overcapacity, Mr. Trump reportedly rejected the deal in favour of pursuing tariffs. Nor has the White House been able to prioritise among its global trade concerns. The discord with trading partners such as the European Union and Canada has undercut the possibility of presenting a united front on China complaints.

Further, the Trump administra-

tion's tariff justifications can shift rapidly. In May-June, the Trump administration extended steel and aluminium tariffs to Canada, among other countries. Ostensibly, the rationale was a threat to U.S. national security. Yet, at the G7 meetings later that month, Mr. Trump seemed to explain the aggressive U.S. stance by citing Canada's protective dairy regime.

There is ample evidence that Mr. Trump places a high priority on bilateral trade deficits, which he seems to equate with profit and loss statements. In May, hoping to assuage the President's concerns, Chinese Vice-Premier Liu. He came to Washington to offer increased Chinese purchases of U.S. goods as a means of resolving the looming tariff threat. The Trump administration initially struck a deal, then reversed it roughly a week later. Countries with which the U.S. runs a trade surplus have also not been immune from trade attacks; Canada is a prime example.

This then leaves the simpler explanation that Mr. Trump is fond of tariffs and believes that American industry will do better behind a wall of protection. He has been neither coy nor inconsistent about such feelings. When he first announced his intention to apply steel and aluminium tariffs in March, his press secretary was asked about the surprise policy move. She replied, "This is something, frankly, the President has been talking about for decades."

### Within the system

The U.S. prides itself, however, on its political system of checks and balances. Even with a protectionist President, how can one individual recraft a country's long-standing trade position so dramatically? The puzzle deepens when one looks at the U.S. Constitution, which assigns the power to apply



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tariffs to Congress. And where are international protections against capricious protectionism?

Domestically, Congress has tried to shift responsibility for trade on to the Executive Branch ever since it engaged in an ill-fated bout of protectionism in 1930. The underlying presumption was that individual members of Congress were more likely to succumb to protectionist pressures from their narrower constituencies, while the President was more likely to consider the broader national interest. Most domestic legislative safeguards, therefore, protected against a president being more liberal than Congress might desire; there are relatively few protections against a President who is more protectionist. Over the years, the legal authorisations for a President to apply protection accumulated, largely unused. Thus, the steel and aluminium tariffs were justified under an obscure provision of the Trade Expansion Act of 1962, a law granting national security powers from the midst of the Cold War. The upshot is that a protectionist President has ample tools at hand.

Turning to the global trading system, the burgeoning trade war demonstrates its limitations. The General Agreement on Tariffs and Trade and World Trade Organization were never designed to block

a major world power from running amok. They relied, instead, on the principal players in global trade respecting the system. Trade disputes were anticipated, of course, but they were intended to be sincere cases of disagreement about rules and acceptable practices. The WTO Dispute Settlement Mechanism cannot act quickly enough to address the mounting spats about trade protectionism emanating from the U.S., a major reason why countries around the world have not waited for verdicts from their WTO complaints and have instead proceeded with retaliation.

### What lies ahead

Finally, we can ask: what comes next for the global trading system? In the near term, we are likely to see escalation. U.S. tariffs on \$34 billion of imports from China took effect on July 6. China has promised equivalent retaliation. Mr. Trump has promised to retaliate against that retaliation.

The Trump administration also announced its intention to use its national security justification for tariffs on the auto sector. There are reports that Mr. Trump wants such tariffs in place before the U.S. mid-term elections in early November. While such a move would be qualitatively similar to the action against steel and aluminium trade, it would be quantitatively much more significant, given the magnitude of the autos trade. Europe has threatened retaliatory tariffs worth \$300 billion should the auto tariffs proceed.

There is little sign that Mr. Trump will be turned from his protectionist path by earnest explanations of the virtues of trade, though there have been valiant attempts both from the private sector and from members of Congress. If there is to be a change in the U.S. position, it is likely to come from an active reassertion of

congressional authority over trade policy. At the moment, that still appears unlikely, but the pressures are mounting.

Even if the President has trumpeted his passion for protection for years, many in the U.S. assumed he was exaggerating. It is only in the last month or two that the effects of both protection and retaliation have begun to be felt. While some businesses have been helped, many more have been hurt. For example, while there are roughly 140,000 Americans who work in steel production, there are about 2 million who work in industries that use steel as a major input. Those latter industries are beginning to cry for help, along with farmers who are seeing sales lost to retaliatory barriers. Stories such as the relocation of production of Harley-Davidson motorcycles have called into question the President's claim that protection would revive American manufacturing.

All this has led to a deeply conflicted Republican Party, which holds a majority in both houses of the legislature. Traditionally, Republicans have been the more pro-business, pro-trade party and members of Congress running for re-election this November were planning to mount a campaign based on unity, tax cuts, and good stewardship of the economy.

Now those candidates need to decide whether or not to act against their President's trade measures. If they choose to, they have the power to legislate and block the President's trade belligerence, at the cost of enraging him. If they choose not to, they will likely disappoint their constituents. Their choice is likely to determine the next turn in Mr. Trump's trade war.

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# The Indian wunderkind

In the growth of chess, the picture of the evolution of humanity's thought becomes clear



JAIDEEP UNUDURTI

Rameshbabu Praggnanandhaa this week is playing his first tournament as a Grandmaster. The event, held in the Spanish city of León, sees him take on top talent Wesley So. This match-up shows how far Indian chess has come — So recently beat world champion Magnus Carlsen in a tournament and is one of the most dominant players in the world today, while 'Prag' may be the youngest Grandmaster around but he is still a 12-year-old boy.

Chess is not just a battle between two isolated intellects. It is a clash between two different approaches to life. It is also often a symbol of a larger struggle, of changes in society and culture.

### Snapshots of cultures

The way you play chess is a snapshot not just of you, but the culture you come from. And this can

be seen in the man whose record 'Prag' wanted to beat — Sergey Karjakin. Over the board, Karjakin is nicknamed "the Minister of Defence". He can defend himself for hours, finding resources that elude others. Karjakin, born in 1990, grew up in a bleak and unforgiving environment; the Soviet Union had collapsed and he, an ethnic Russian from Crimea, ended up as a Ukrainian. The 1990s were terrible times with great economic distress and rampant criminality. One could argue that his style is very much a child of those traumatic years — just hang on, by any means. A struggle where survival itself was victory.

Every culture found its reflection in the game. It seemed to fit Soviet society, with its mathematical certainties of the dialectic and the inevitable outcome of the class struggle. Just as it did to the clergy of Spain in the 16th century. To the Church, chess was an excellent tool to teach the masses. Know your place, be it a pawn or knight, and fulfil His will.

So what does Praggnanandhaa's success show? What is the snapshot it takes of India?

Praggnanandhaa's background

is arguably a classic matrix of Indian middle-class anxieties and aspirations. He got into the game when his parents wanted something to reduce the amount of TV his elder sister was watching. They enrolled her into chess 'coaching' and she displayed a remarkable aptitude (eventually going on to win the world U-12 girls championship). Praggnanandhaa, then a precocious 4-year-old, learnt by watching his sister play. He too developed rapidly and went on to win the world U-8 championship — a classic Indian middle-class child done good. Their father, a bank employee, and mother, a homemaker, made enormous sacrifices to give the best to their children.

The Indian chess wave, of which he is a part, is emphatically not the Chinese mass-produced, Five Year Plan ordained variety, but very much a home-grown innovation. Sponsorships scrounged from private companies supplemented with negligible support from the government — his coach's application for the Dronacharya award was turned down, and cash awards were far and few. And yet he succeeded, somehow.

The rise of chess in India was



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originally fuelled by Viswanathan Anand's successes. Now perhaps it has taken a life of its own, reaching a critical mass. The game's return to the country of its origin also has an historical echo. Chess reflects the societies which encountered and transformed it. In its primeval avatar in India, the movement of the pieces was limited, perhaps reflecting the static society in India at that time. It was in Persia that these rules began getting questioned (and the dice was eliminated keeping with Islamic injunctions against gambling), becoming the dynamic, fast-moving contest of today. Thus, we have a picture of the evolution of humanity's thought in the growth of chess.

It is no coincidence that the vizier had to give way to the queen

when chess entered Europe — for this was the time of the powerful queens, Isabella and Elizabeth, who were setting up the waves of colonial conquest. In contrast to this dream of empire, in subsistence communities deep in Siberia, the prime minister was replaced by a hunting dog.

### Praggnanandhaa's journey

Praggnanandhaa's first step in his new journey is in a venue that in a way also sums up the journey of chess.

It was the King of Leon, Alfonso X, who more than 700 years ago commissioned the "Libro de los Juegos". The Book of Games was a fluid blend of metaphysics, abstract thinking, morality as well as the practical aspects of game playing — and it opens with a painting of the "transmission of the game of chess from an Indian Philosopher-King to three followers" and from there, to the world.

Praggnanandhaa's success is part of this original transmission — a journey of the intellect that began in India all those years ago.

Jaideep Unudurti writes on travel, popular culture and books

## 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.

### Batting for gambling

It is a tragedy that instead of suggesting strong measures to curb the menace of betting, the Law Commission has recommended the opposite. What a shame that it has advocated revenue to the government also as one of the reasons to legitimise it. If law makers and the custodians of governance are determined to follow the easy way out, there can only be trouble ahead ("Allow gambling in sports but regulate it, says law panel", July 6).

S. PARTHASARATHY,  
Chennai

The recommendations are hard to digest as the situation in the country is not ripe for any such move. The ultimate sufferers will be the common people. It looks as if the Commission has done this in order to help vested interests. Such a move will harm the middle class and the poor.

THAK SUBRAMANIAN V.,  
Kunjibettu, Udipi, Karnataka

While the older generation and those who are conservatives might balk at the idea of legalising this "social menace", it is time that citizens realise that betting/gambling continues to be practised clandestinely across the country by different age groups. The scale cannot be fathomed. It is naive to believe that the fear of punishment will be a deterrent. The need of the hour is to start regulating it as it will help fill government coffers which can then be used judiciously for public welfare.

CHIRAG SHARMA,  
New Delhi

Gambling is about risking money for an uncertain outcome in the hope of winning. Legalising gambling will be a great step as it would help in investments, perhaps aid employment, generate revenue and boost tourism. It could reduce the problem of black money in India. However, there needs to be strict data protection, proper implementation and

continuous monitoring. Also in India, there is the additional issue of those who are economically backward, and there must be safeguards. With technology, it may be possible to restrict gambling.

NAGESWARA RAO DEVARAKONDA,  
Guntur, Andhra Pradesh

### Curbing rumours

The issue of misuse of social media is linked to empowerment without teaching people how to utilise this power (Editorial, "Passing the buck", July 6). The wave of lynchings across the country is a pointer to how this social media revolution can harm society greatly if it goes out of control. There is a large portion of the Indian population, both rural and urban, which still believes that whatever appears on social media is cent per cent truth. Widespread awareness campaigns about social media may be old-fashioned but are the only solution to this problem. The government's warning to

WhatsApp is in akin to blaming road conditions for mistakes committed by the driver.

KIRAN BABASAHEB RANSING,  
New Delhi

### Ruling NCR

It is telling that it has taken nearly 70 years to realise that the issue in Delhi is about 'democratic rights of citizens' and required the Supreme Court of India to educate our political parties. One needs to thank Delhi Chief Minister Arvind Kejriwal for pursuing the matter till the very end, unlike the two national parties that have only been playing politics. One can rest assured that the Lieutenant Governor will now be sufficiently tamed and after being reminded that he cannot be an 'obstructionist'.

P.R.V. RAJA,  
Pandalam, Kerala

### Wavering economics

Karnataka has become the latest State after U.P., Maharashtra, Punjab and

Rajasthan to fall prey to ever-growing neo-socialistic cum populist tendencies of the elected government — of using loan waivers to 'bribe' voters ("Kumaraswamy waives farm loans", July 6). It is a dangerous trend and a vicious cycle our States are getting into, despite being warned repeatedly by the Union Finance Ministry, NITI Aayog and the Chief Economic Adviser. Capital funds are being diverted into wasteful expenditures like these, leading to lower productivity and negligible infrastructural investments. The informal lending sector will see an extinction as these loans aren't waived by the government. It is time we take practical measures and economically be rational about it.

SUBHAM PODDAR,  
Kolkata

### Policy adrift

There is no denying the fact that India's standing in the international arena has weakened in the recent past. Drastic policy shifts in recent

years in the form of according reduced importance to NAM, increasing geostrategic ambitions and intervention in the internal affairs of smaller neighbours such as Nepal and the Maldives, to name a few, have not helped India's cause. Russia, which was our evergreen and traditional ally, has grown closer to China as well as Pakistan. Smaller neighbours such as the Maldives and the Seychelles are now asserting themselves while Nepal and Bangladesh are drifting towards China. Adding to our woes is that despite being seen to be close to U.S., India couldn't escape crippling trade tariffs imposed by the U.S. India needs to revert to its earlier principled positions in order to regain lost ground (OpEd page, "Yes, No, It's Complicated" — "Is India's foreign policy adrift?" July 6).

AMAL BAHAULEYAN,  
Pallazhy, Thrissur, Kerala

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