WTO: nations arrive at a crossroads

'India will have to quickly forge a grand alliance to protect interests and prevent mayhem'

NEW DELHI

Asked recently by the fashion and lifestyle publication Vogue about her 'recurrent nightmare', the late music icon Michael Jackson's daughter Paris "Trump," and then, "Oh wait, that's quipped, reality...'

Though far removed from the lofty world that Ms. Jackson inhabits, weary trade officials - from more than a hundred developing countries, including India - were also hit by a somewhat similar reality towards the latter stage of the intense negotiations in Buenos Aires.

They had converged in the Argentine capital earlier this month for the meeting of the World Trade Organisation's (WTO) apex decision-making body called the Ministerial Conference (MC), an event attended by trade officials from all the 164 WTO member countries.

On the cards was a decision, without many stringent riders, to enable developing countries to safeguard the livelihood of poor farmers and meet their population's food security needs. This was considered 'low-hanging fruit' as there was already a Ministerial mandate to arrive at such a decision by 2017.

However, according to multiple sources, the Trump administration reneged at the last minute on an earlier commitment by the U.S., and instead sought many onerous conditions - in proposed WTO norms relating to public stockholding of food grains - that developing countries could not accept as binding rules.

No token declaration

Also, sources said, the latest meeting ended without even the token Ministerial Declaration mainly due to the Trump administration, leading 40-odd nations to question the centrality of 'development' (improving the trading prospects of the 'developing nations') in the multilateral trading system as envisaged in the ongoing Doha Round.

Rewind to the beginning of this year. In January, the



Road not taken: Global rule-making will face a serious problem if countries' actions lead to loss of trust in a constructive dialogue process, says Biswajit Dhar of JNU. • GETTY IMAGES/ISTOCK

Trump administration withdrew from the Trans-Pacific Partnership, a mega-regional free trade agreement signed by the Obama administration along with 11 other nations. With such startling moves, the Trump administration has given further credence to the notion that it favours bilateralism over multilateralism, and protectionism over free trade.

It has also signalled that it would not hesitate to take decisions that upset the continuity of or consistency with earlier U.S. policies.

In a much criticised stand, the Trump administration decided to block the appointment of judges to the WTO's Appellate Body, under the Dispute Settlement Mechanism (DSM) on grounds including that the U.S. was losing far too many cases – something that many have contested.

As a Presidential candidate, Donald Trump had even threatened to pull the U.S. out of the WTO, and later as President, has said that his country has "not been treated fairly by the WTO."

The DSM, as per the WTO, is "recognised as a fundamental pillar of the organisation" and "enjoys wide support and confidence among the membership, which values it as a fair, effective and efficient mechanism to solve trade problems.'

Multilateral agreements within the WTO framework have far-reaching implications on global trade unlike bilateral deals. So when biennial WTO Ministerial Conferences (MC) end in a deadlock like what was seen in Buenos Aires, it affects the credibility of the multilateral rule-based trading system.

'Sanctity of talks'

Jayant Dasgupta, former Permanent Representative of India to the WTO, referred to the failure in finding a permanent solution to the issue of public stockholding and said by not adhering to the commitments made by a previous (U.S) administration, the Trump administration was setting a dangerous precedent. "This will mean there is no sanctity left in multilateral trade negotiations. Nothing will be binding any more," he said.

Meanwhile, the Trump

administration refused to see the talks as a failure. Soon after the Buenos Aires meet, U.S. Trade Representative Robert Lighthizer said in a tweet: "Congratulations to [WTO] Director General [Roberto Azevêdo] and [Argentine Minister and Chair of the Buenos Aires Ministerial Conference] Susana Malcorra on a successful MC." In a statement, he said, "The fact that one WTO Member with an extreme position chose to block a short Ministerial Declaration expressing shared views is no reflection on the excellent work of Minister Malcorra or her team.'

In a statement, India said though decisions on a permanent solution to food security and other agriculture issues were expected in the run up to the MC, "the strong position of one member against agricultural reform based on current WTO mandates and rules, led to a deadlock without any outcome on agriculture...

It further said, "Due to ... a few members not supporting acknowledgment and reiteration of key underlying principles guiding the WTO and various agreed mandates, Ministers could not arrive at an agreed Ministerial Declaration. During the MC, India stood firm on its stand on the fundamental principles of the WTO, including multilateralism... the centrality of development... and special and differential treatment

for all developing countries." However, according to Mr. Lighthizer, the Buenos Aires meeting "will be remembered as the moment when the impasse at the WTO was broken." He said the U.S. will work with willing Members on "e-commerce, scientific standards for agricultural products, and the challenges of unfair trade practices that distort world markets." Mr.

Lighthizer added, "The new direction of the WTO is set:

improving trade through sec-

toral agreements by like-

minded countries." Decisions at the WTO are taken by consensus among all member countries. Though all are considered equal, countries like the U.S. wield considerable influence in the manner in which consensus is arrived at.

So, when the U.S. decides that sectoral agreements at the WTO is the way forward, it could in turn change the very DNA of the global body and spell the end of WTO in its current form. Facing such a prospect, what are the options before India, which, along with several other nations, has been opposing the introduction of new and the so-called 21st Century trade issues such as e-commerce, investment facilitation and proposed norms on small firms, without resolving outstanding Doha Round issues such as food security?

Already, the Indian government is working on holding a meeting of important WTO members early next year. Pointing out that India's positions have much in common with the African nations' stand, Biswajit Dhar, professor, Jawaharlal Nehru University, said, "We have to build bridges with Africa."

He said India needed to quickly forge a larger alliance on issues such as ecommerce and investment facilitation in addition to planning a strategy to counter the moves that are against India's interests.

On a more fundamental point, Mr. Dhar warned that global rule-making will face a serious problem if countries take actions that lead to loss of trust in having a constructive dialogue process. "If you kick the WTO out,

you will be going back to the interwar years (1919-38) when there was total mayhem as there were no rules [to prevent barriers, protectionism and discriminatory trade]," he cautioned. Now, that would be a scenario similar to the one that is giving Jackson recurrent nightmares.

Hitting the GST hurdle

K. VIJAYARAGHAVAN

Experience is the name the wise give to their mistakes. Through lessons learned from Modvat and later from VAT (which are also based on the same concept of tax credit, as in GST), it would be simple, even now, to gauge what GST would bring about.

CAG audits on Modvat revealed huge evasion, while one of the Collectorates had listed 13 ways that companies were taking wrong credits. The CII had also reported about the failure of Modvat. The VAT generated rampant evasion to the extent of even 50% in 11 of the 23 States, where audits were carried out in 2010. Other undetected wrongdoings and many unrevealed cases of harassment would add further to this sorry state of affairs.

RV's advice

Anticipating all these, wellmeaning experts had already forewarned about complex multipoint levies with input tax credit at each stage, as in Modvat, VAT and GST. The then President, Mr. R. Venkataraman (also former Finance Minister) had stated, even in 1986, that for our country, only singlepoint taxation would be necessary. To those who still advocate GST, one may ask, "Then, why was VAT of 1995 in Maharashtra abandoned soon and why was Modvat christened as Madvat?"

GST would actually bring forth even greater problems. These have already begun to show as tips of a large iceberg – business climate being affected badly, fall in exports and other difficulties, including conditions in complex notifications (such as GST notification 41/2017), which cannot even practically be fulfilled. For July, on transitional credit refund claims alone, as much as ₹65,000 crore had been claimed. Highly questionable, it is also practically impossible to check every claim. Unbridled 'sophistication' and hi-tech requirements only make things worse.

Besides, the need for countless documents, returns, formats, GST-1, GST-2,



followed Modvat, VAT and now the GST. • GETTY IMAGES/ISTOCK

certified copies, subsidiary invoices etc., has prompted the Trade Confederation to term GST 'a nightmare'.

The root of the problem It would only be clear that the way-out is not through merely lowering tax rates.

Things will not 'settle

down', but would only go from bad to worse. With regard to VAT, the protests alone came down after some time, as many tax payers endured what could not be cured; while many learned to become street-smart to outsmart this ghastly tax regime, through collusion with tax officials and evading tax, through remaining within the exemption limit. They were also freed of audits and did not have to answer show-cause notices. Ethics and tax compliance were sacrificed for sheer survival.

The above also explains why, in the GST regime, many opt for exemption through fragmenting their business, and persuading their suppliers and buyers to do also so. For, if they opt to pay duty under composition scheme, there would be a break in the GST chain.

Same is the case with service providers, who too would choose not to pay service tax through splitting their units or by undercutting the value of their clearances. Thus, unwittingly though, they would also pay far lesser income tax than what they would willingly have done otherwise.

A very important reason for the price rise, which has constantly followed Modyat. VAT and also the present GST, is the inherent uncertainty. Faced with the prospects of having to pay huge amounts demanded after protracted and costly litigation, many would choose to increase prices for obtaining greater profits, to be kept as reserve. This uncertainty is also revealed in the 'disclaimer' in several FAQs, stating that replies are only for guidance and do not hold any legal validity.

The grey areas are so vast and deep that even higher forums of appeal cannot judge with any certainty, let alone FAQ answers or 'Suvidha providers, GST kendras' etc., conceived of in this drama of pretence and make-believe.

All of the above underlines the truth that evasion and aberrations can never be checked by making statute and procedures elaborate and stringent. The arbitrariness, which these would generate, only serve to promote a far stronger culture of 'permit raj' and greater loopholes.

The solution lies through single-point GST levy, with simple statute, procedures and documentation and a tariff with broad-based headings for goods and taxing only organised services. Adam Smith stipulated four 'canons' for a good taxation system – equality, certainty, convenience and economy.

Guided by these and also by our own well-meaning experts, a truly 'Good and Simple Tax' should replace the present one, which, indeed, is highly grotesque and cruelly 'sophisticated'!

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'ULIPs may attract more investors in 2018'

IPOs likely to improve insurance reach, better services, says Bajaj Allianz's CEO

OOMMEN A. NINAN

Bajaj Allianz Life Insurance has recorded 89% growth in new business premium in its unit linked insurance plans (ULIPs), riding on the boom in the equity markets. ULIPs would be an attractive investment option for retail investors in 2018, says Tarun Chugh, the firm's CEO, in an interview. Edited excerpts:

What is the outlook for insurance industry in FY18?

■ The major trend in the banking, financial services and insurance (BFSI) space is the uptake in the equity markets, especially from retail investors. We have seen 89% growth in new business premium of our Unit Linked Insurance Plans (ULIPs) from April to September 2017. We also expect this trend to continue in the new year as equitv markets are looking up. [We are] planning to launch more ULIP products in the

What are the three top trends in digitisation of insurance that you have seen in the last three years?

months to come.

■ Insurers have realised the value of digitisation in

insurance. It leads to enhancement of customer experience, creates new business opportunities, helps in reducing costs, allows operational flexibility and drives engagement with customers on a real-time basis. The top three trends, addressing these business opportunities, would be: end-to-end paperless processes from presales to underwriting to post-sales services; growth in online sales; providing services which are quick, non-intrusive and available

Rapidly changing consumer behaviour is reshaping the insurance industry. How will digitisation impact customers?

■ Consumer behaviour has been reshaped with the advent of digital and e-commerce companies in the last two decades. This gamut of digitisation, brought in by these companies, is continuously evolving. Its impact can be seen in the way consumers, both new and traditional, are engaging with businesses. Consumers today have greater access to real time information. Hence, it is vital that organisations acknowledge this shift in

consumer behaviour. This change is challenging insurers, who are not digitally native, to focus on products, business models and service delivery models which are end-to-end digital. This will result in better offerings in the form of improvised offerings, reduced TATs (turn around time) and personalised experiences.

How has the agent-company relationship evolved?

■ At Bajaj Allianz Life Insurance, agency continues to be the key distribution chan-



Digitisation's impact can be seen in the way consumers are engaging with businesses.

nel with nearly 86% of the retail-rated new business premium being routed through this channel. Nearly 77% of the company's total customers are mass and sub-mass segments. Their ability to buy high premium products, multiple policies and risktaking capacity was limited. Thus, this year, we focused on improving our product mix to cater to affluent and

In September, we introduced I-smart, a comprehensive portal for our agents. I-smart is available on mobile and tablet devices, and has already seen 12,500 downloads with 5,000 agents using it on a daily basis and 500 fresh downloads every day.

mass affluent segments.

How do you ensure data security?

■ Bajaj Allianz Life Insurance has implemented Data loss prevention (DLP) solution which protects sensitive in-

formation going outside company network via Mail. USB or Network. We have [also] implemented Mobile Device Management (MDM) for all mobile devices accessing company mails. This prevents users from downloading any attachment to mobile devices. All company-related information can be wiped out in case a device

Why are so many insurance companies going in for

a slew of IPOs.

■ IRDA's (Insurance and Regulatory Development Authority) move to relax capital raising norms whereby it allowed insurance companies [in existence for] over 10 years to go public, has led to

Listing on the stock market has been principally taken by companies to raise capital for expansion of operations, increase liquidity for shareholders, enhance brand image and create valuable currency stocks that can be used to make acquisitions and compensate em-

It is likely these IPOs will bring about better awareness regarding insurance services among the investing public. That may translate into an increase in insurance penetration (percentage of insurance premia to GDP), better products and enhanced service standards.

Does Bajaj Allianz Life also have plans for an IPO?

■ No, we are not looking at an IPO [any time] soon.

Firms that help medicos, travellers, cooks with insights are high on the agenda

Google betting on AI from India

PEERZADA ABRAR

It's no coincidence that at about the time that Google CEO Sundar Pichai has professed the company was moving into an 'artificial intelligence first' world, the Internet giant is backing AI start-ups in India to help it achieve that goal. Young ventures that analyse medical data to reduce human error, gather insights to help travellers and provide cooking apps for different culinary needs, are some of the AI companies that Google is nurturing at its 'Launchpad Accelerator.'

"The pace at which you can solve problems is so much faster when you apply (AI)," said Paul Ravindranath G, program manager, Google India. "We have begun including companies that are meaningfully solving pro-blems... using AI and machine learning."

The firm's six-month accelerator programme matches young companies from emerging ecosystems with the best of its people, network and advanced technologies to help scale their products. It also connects them with mentors from top tech firms and venture capitalists in the Silicon Valley, U.S.

In return, Google, whose parent company Alphabet Inc. reported a revenue of \$90.27 billion in 2016, is hoping that its technology and cloud computing platform gets consumed by these start-ups and they build their innovation on top of them.

One such firm is SigTuple which is building intelligent screening solutions to aid



High on AI: Google is now the most active acquirer in the AI space, says CB Insights. ■ GETTY IMAGES/ISTOCK

diagnosis through AI-powered analysis of visual medical data. The firm aims to improve speed, accuracy and consistency of a number of screening processes. Also, medical institutions can serve more patients, with a significant reduction in human errors. When the Bengaluru-

based firm wanted to expand in the U.S., Google mentored the company on fulfilling regulatory requirements such as getting the U.S. Food and Drug Administration approval.Google also helped the firm identify manufacturing companies in the U.S. when it found the process challenging in India. "They try to identify areas where you need help," said Rohit Kumar Pandey, 34, cofounder of SigTuple.

AI chef Through its accelerator pro-

gramme, Google is also rigorously fostering TensorFlow, a software that makes it easier to build AI systems. This is being used by Kochi-based start-up Agrima Infotech. It had built a deep-learning computer vision technology which could be used for advanced image recognition techniques. Agrima has implemented this in 'Recipe Book' a popular cooking app on Android Play store. The app solves the recipe discovery problem. For example, a user needs to just click an image of an ingredient. It then quickly recognises and suggests the best recipes which could be made out of that ingredient.

Anoop Balakrishnan, 28, CEO of Agrima, said the 'good thing' about Google's acceleration programme is that "it doesn't take any stake" in the companies. 'Recipe Book' saw more than 2.5 million downloads in its first year and has spread across 104 countries, according to the firm.

Google's accelerator programme is also backing Noida-based RailYatri, whose app helps long-distance travellers at every stage of the journey. This includes enquiry about seats, the best route to take, information about train delays as well ordering the food and booking the hotel. The firm said close to 40 million people in India take long-distance journeys daily. However, the transportation

system used by these people are constrained by supplydemand mismatch and operational inefficiencies. Manish Rathi, co-founder of RailYatri said its platform efficiently uses crowdsourcing, data analytics and intelligence to help travellers make smarter decisions.

New tools, old problems Google was among the earliest to start buying private

firms to advance its own AI research and is now the most active acquirer in the space, according to CB Insights, a data intelligence platform. This July, Google acquired Bengaluru-based Halli Labs that applies modern AI and machine-learning techniques to solve old problems.

This month, dunzo, a taskfulfilment start-up that leverages AI and human operators also raised a \$12.3-million Series B round led by Google, according to Aspada, an investor in the Bengaluru-based firm. Dunzo provides a conversational mobile commerce platform. It manages the discovery and fulfilment of local tasks across categories such as food and grocery delivery, and offline retail purchases.

In 2013, Google also picked up deep learning and neural network startup DNNresearch from the computer science department at the University of Toronto, said CB Insights. It said this acquisition reportedly helped Google make major upgrades to its image search feature. In 2014 Google acquired British company DeepMind Technologies for some \$600 million.