



## Growth prop

As the RBI cuts the benchmark repo rate, concerns over the fiscal deficit remain

Barely four months after the Reserve Bank of India switched its monetary policy stance to one of ‘calibrated tightening’, signalling interest rates were set to trend higher, it has reversed direction. Not only did the RBI’s monetary policy committee unanimously opt to revert to a ‘neutral’ posture, but the rate-setting panel unexpectedly decided, by a 4-2 majority, to cut the benchmark repo rate by 25 basis points, to 6.25%. The MPC’s reasoning has been fairly straightforward. With Consumer Price Index-based inflation having continued to slow and projected to stay well below the medium-term target of 4% till at least the October-December quarter, the MPC saw an opportune moment to pivot to a growth-supportive stance. That there is a need to bolster economic momentum is evident from the RBI’s downward revision of the forecast for growth in the first half of the next fiscal year. The projection has been lowered to a range of 7.2-7.4%, from 7.5% posited in the RBI’s December statement, as moderating global growth and slowing overseas demand add uncertainties to the prevailing domestic imbalances. Specifically, production and import of capital goods, which is a key gauge of investment demand, contracted in November/December and credit flows to industry remain muted. With an overall shortfall of 4% in rabi sowing across various crops, and storage in major reservoirs at just 44% of the full level, the slowdown in farm output growth may, worryingly, end up being more protracted.

The less-than-sanguine outlook for the rural economy is also reflected in the high-frequency indicators of the services sector. Data on sales of both motorcycles and tractors in December underscore weakening demand in the hinterland. This weakness in the farm sector is undergirding the unprecedented softness in food prices. The December CPI data showed continuing deflation in food items. While the RBI’s inflation calculus clearly benefits from the ongoing trend in price gains, the MPC is justifiably cognisant of the tenuousness of the assumptions it has made for its forward projections. Importantly, while it has assumed a normal monsoon this year, the central bank acknowledges that any variation in geographic spread or uneven distribution in terms of time could roil the inflation outlook. Inexplicably, however, the RBI’s policy statement fails to make any mention of its hitherto abiding concern about fiscal prudence. With the Interim Budget showing some slippage from the fiscal roadmap and projecting a budget deficit of 3.4% for both the current financial year and the next, the risk of government borrowing crowding out private investment demand remains tangibly real. One must assume that the central bank will resume normal service on providing salutary caution to the government after the coming general election.

## Still partisan

Trump was restrained in his State of the Union address, but did nothing to bridge the divide

In his second State of the Union address, President Donald Trump demonstrated the capacity to step back from his polemical debating style on social media without yielding ground to his detractors on matters of domestic policy at the top of his agenda. These include immigration, jobs for Americans, and conservative values including the pro-life movement. First, Mr. Trump used the opportunity to speak before a joint session of Congress to reiterate his desire to build a wall along the Mexican border, even as he clarified this could include the use of steel slats. The worrisome thought on the minds of at least 800,000 government workers, who were furloughed without pay for 35 days during the longest federal government shutdown in U.S. history, must have been whether Mr. Trump will again insist that Congress allocate \$5.7 billion to build the wall, and precipitate another shutdown. Second, he underscored that his core agenda on job creation for Americans was proceeding apace, noting that his administration had “created 5.3 million new jobs and importantly added 600,000 new manufacturing jobs” – a claim subsequently noted to be an exaggeration. Third, the anti-abortion movement got a boost from the two whole paragraphs in the speech calling on Congress to pass legislation to prohibit late-term abortion.

On foreign policy too, Mr. Trump appeared to hold firm to the ideas and strategies his administration has espoused through his term in office, including attacking the regime of Nicolás Maduro in Venezuela, for “socialist policies have turned that nation... into a state of abject poverty and despair”; and the government of Iran as a “radical regime” that does “bad, bad things”, justifying the U.S. withdrawal from the nuclear agreement with Tehran. It may have come as a pleasant surprise, or relief, to some that Mr. Trump’s address did not take on the darkly foreboding undertones of his inaugural speech. But his plea for both major parties to “embrace the boundless potential of cooperation, compromise, and the common good” sounded hollow, given the ground realities of his administration’s policy effects. In her response to the address, Democrat and former Georgia gubernatorial candidate Stacey Abrams decried the harsh economic pinch of the government shutdown, countering Mr. Trump’s claims of working for the interest of the middle-class American. She highlighted the omission of the gun control debate in the speech, the silence over voter suppression, rising higher education fees, and so on. Unless Mr. Trump genuinely reaches across the political divide to connect meaningfully with over 65 million voters who opposed him in the 2016 election, partisan rancour will remain in the political system and threaten its foundations.

# Governing India’s many spaces

Ill fares the land where wealth accumulates, but the social and natural environment suffer



PULAPRE BALAKRISHNAN

As the general elections approach, it would be politic to take stock of the progress made by the incumbent party and look out for the areas that call for particular attention by the one that gains power. Without anticipating complete agreement on the indicators that ought to be used, I look at the changes since 2014 in three indices for India. These are the indices of the ‘Ease of Doing Business’ (EDB), ‘Human Development’ (HDI) and ‘Environmental Performance’ (EPI). They are self explanatory, and their importance unlikely to be contested, even though they may not exhaust all concerns. Published by separate international bodies, they are used to rank the world’s countries according to their performance in the related sphere. Rankings by themselves do not reveal the level of attainment but they do convey how far a country is from the global frontier.

### The business ecosystem

The EDB, an indicator put out by the World Bank, is meant mainly as an index of the effect of government regulations on running a business. It is also meant to reflect the extent of property rights in a society. Responses are sought from government officials, lawyers, business consultants, accountants and other professionals involved in providing advice on legal and regulatory compliance. A country’s ranking is based on the

extent to which government regulations facilitate the following: starting a business, obtaining construction permits, getting an electricity connection, registering property, accessing credit, protection of investors, paying taxes, trading across borders, enforcement of contracts and resolving insolvency. The Narendra Modi government has set much at stake by India’s improved ranking in terms of the EDB index. Actually, the improvement is considerable. From a rank of 134 in 2014, India’s rank improved to 77 in 2018. As 190 countries were ranked in 2018, India was in the top 50%. The position is not spectacular but the improvement is, as said, noteworthy.

It is important to note that the use of the EDB has not been without controversy, with the World Bank’s Chief Economist, a Nobel Laureate, suggesting in an interview that in the past political bias may have crept into the ranking of countries. Let us for a moment overlook this episode and assume that in the case of India the ranking reflects reality. Perhaps a bigger problem with the EDB is that it measures the effect of government regulations alone. While it is important to take this aspect into account, in any situation the ease of doing business is dependent upon other factors too. One of these is the availability of ‘producer services’, with electricity, water supply and waste management coming to mind. There is little reason to believe that this infrastructure has improved in India in the last five years. The Planning Commission used to release data on infrastructural investment, but we have had none since its demise. Despite all these shortcomings, it is yet important to be concerned with the ease of doing business in India, an



REUTERS

aspect that has been given little or no importance in public policy for over 50 years, and to note that the EDB ranking for the country shows significant improvement since 2014.

### A true measure

We may turn next to the better known Human Development Index. It is the result of a rare India-Pakistan collaboration in the global discourse on public policy, having been devised by Amartya Sen and Mahbub ul Haq for the United Nations Development Programme. The HDI is a combination of indicators of income, health and education in a country. Its conceptual basis has been critiqued. First, it has been pointed out that the index combines incommensurate categories, as income, health and education are not substitutes. Second, while it does go beyond purely economic measures of progress, in that it looks at the health and education achievements in a population, it can say little about the ‘quality’ of development. As pointed out by Selim Jahan of the UNDP, data can “(tell) us only a part of the story about people’s lives. For instance, it is increasingly clear that it is not enough simply to count how many children are in school: we need also to know whether they are learning anything.” He could have had

India in mind!

Nevertheless the HDI has now gained reasonable acceptance globally as indicative of the development strides a country has taken. When we turn to the HDI, we find that India’s ranking has not altered since 2014. India was ranked 130 in 2014, and has remained in the same place out of 185 countries in 2018. It is of relevance here that India’s HDI ranking has not improved despite it being the world’s fastest growing major economy in recent years, as the government often points out in its assessments. This despite income being a component of the index. What this reveals is that an economy can grow fast without much progress in human development. Also, India’s HDI position in the bottom third of countries points to how much it needs to progress to earn the label ‘the world’s largest democracy’.

### Environmental costs

Finally, we may look at India’s recent record on the Environmental Performance Index. The EPI is produced jointly by Yale and Columbia Universities in collaboration with the World Economic Forum. The index ranks countries on 24 performance indicators across several ‘issue categories’, each of which fit under one of two overarching objectives, namely, environmental health and eco-system vitality. The issue categories are air quality, water and sanitation, water resources, agriculture, forests, fisheries, biodiversity and habitat, and climate and energy. These metrics are meant to serve as a gauge at a national level of how close countries are to accepted environmental policy goals. In 2018 India ranked 177 out of 180 countries, having slipped from an already very low rank of 155 in

2014. The country is today among the worst performing on the environmental front and its ranking has worsened over the past five years.

We now have indicators of the progress India has made in the past five years in the three crucial spheres of business, human development and the natural environment. A clear picture emerges. The government has aggressively pursued an improvement in the business environment. This appears to have yielded fruit in terms of an improvement in the EDB index. However, at a time when it has been the fastest growing economy in the world, India’s rank on human development has remained unchanged and on environmental performance has slipped close to the last place.

These outcomes would not surprise anyone familiar with public policy since 2014. The Narendra Modi government has marginally lowered health and education expenditure as a share of national income and distinctly lowered environmental standards. An instance of the latter would be the Coastal Regulation Zone Notification of 2018 which allows construction and tourism development on land earlier considered inviolable due to its ecological value. This deregulation is a setback for India. It is only one instance of the failure to recognise the plunder of India’s natural capital taking place at an accelerated pace. Political parties now fervently making a pitch to govern India must indicate how they will reverse it. Ill fares the land where wealth accumulates and nature frays.

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# The road to peace runs through Tehran

The Iranian card could help India enhance its role in stabilising Afghanistan



ANITA INDER SINGH

Even if an American military pullout from Afghanistan is on the cards, the U.S. will want to leave behind a stable country. And any peace settlement in Afghanistan will stand a better chance of staying on the rails if it is supported by regional powers. In other words, ties between Afghanistan and its neighbours, including Iran, will impact the security of southern and western Asia. Like India, Russia, China and the U.S., Iran would want to see a steady hand at the helm in Afghanistan. While lacking military influence, India can build on its good ties with the U.S. and Iran to secure Afghanistan.

### Iranian continuity

Iran is not a newcomer to regional diplomacy in Afghanistan. First and foremost, India should try to dissuade the U.S. from dealing with Iran, Russia and China as enemies. In fact, U.S. President Donald Trump’s perception of all three as foes is at odds with America’s earlier engagement with

them to end its military campaign in Afghanistan. For instance, from 2014 to 2016, Washington and Moscow quietly arranged talks on the Afghan peace process. The meetings, known as the 6+1 group, included representatives from Afghanistan, China, India, Iran, Pakistan, Russia, and the U.S. The 6+1 process assumed that each of these countries was essential to the achievement of a political settlement in Afghanistan. Moreover, last November, the U.S. and the Taliban joined for the first time the Russia-hosted conference in the hope of promoting a negotiated solution to achieve peace and national reconciliation in Afghanistan.

Regional powers could put their weight behind a negotiated settlement that will ensure Afghanistan’s stability. Iran, Russia and China – and the Central Asian states with which India and Afghanistan wish to cooperate in countering terrorism – fear that continued instability in Afghanistan could spill over into their countries. India will also be adversely affected if negotiations break down. In that event, extremist exports from Pakistan to Afghanistan or India would probably increase.

It could be worthwhile for India to explore the Iranian diplomatic options to secure Afghanistan. On good terms with Tehran, New Del-



CHABAHAR PORT, AFP

hi would gain by developing the Chabahar port in southern Iran. And looking beyond Chabahar, India, Iran and Russia were the founding countries of the International North-South Transport Corridor project – as long ago as 2002. The corridor is intended to increase connectivity between India, Iran, Russia, landlocked Afghanistan and Central Asia – and Europe. It would also advance their trading interests.

India could remind Washington about the past coincidence of American and Iranian interests on Afghanistan. Together with the U.S. and India, Iran supported the overthrow of the Taliban in 2001. In the international negotiations which followed in Bonn that year, Iran supported the installation of Hamid Karzai as President and favoured the exclusion of the Taliban from his government.

Admittedly, U.S.-Iran ties have often been fractious. As the U.S. imposed sanctions on Iran after

2005, Iran saw the Taliban countering American influence on its borders and gave them arms. Iran continues to oppose the U.S.’s presence in Afghanistan, largely because it fears that American troops in Afghanistan could be used against it. To allay Iranian fears, Afghanistan recently said that it would not allow the U.S. to use its bases in the country to conduct any act of aggression against Iran.

Last December, Iran also held talks with the Taliban with the knowledge of the Afghan government. But it should assure Kabul of its good intentions. In recent months Afghan officials have accused Iran, which the U.S. says is trying to extend its influence in western Afghanistan, of providing the Taliban with money, weapons and explosives. Iran denies the charge.

The U.S. and Iran could be advised of the mutual, and regional, advantages of improving ties. Such advantages could range from stability in Afghanistan, and beyond, to increased trade prospects, especially in South and West Asia.

### Win-win prospects

Iran could gain by strengthening trading ties with a secure Afghanistan. In 2017 it supplanted Pakistan as Afghanistan’s largest trading partner. At a time when Iran’s economy is weighed down by Ameri-

can sanctions, it would want to build up trade ties with neighbouring states.

The U.S. would also gain. After all, Iran is the geopolitical hub connecting South, Central and West Asia and the Caucasus. The Strait of Hormuz, that crucial conduit, links Iran westwards to the Persian Gulf and Europe, and eastwards to the Gulf of Oman, South and East Asia. Moreover, an improvement in U.S.-Iran relations would be welcomed by America’s European allies, who are opposed to Washington’s unilateral sanctions on Iran.

The U.S. should not lose the chance to act in concert with Iran to improve Afghanistan’s security. And, as the U.S. airs the idea of withdrawal from Afghanistan, now is the right time for India to act as the honest broker between them and to play a larger role in regional security. The status of India and Iran as regional powers as well as the stability of South, Central, and West Asia would simultaneously be enhanced. It is to be hoped that Mr. Trump’s display of America’s “superpower” in opposition to Iran – and Russia and China – will not block such an opportunity to stabilise Afghanistan.

*Anita Inder Singh is Founding Professor, Centre for Peace and Conflict Resolution in New Delhi*

## 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.

### Crime and punishment

It is such a travesty that people who recreated the assassination of Mahatma Gandhi were booked under ordinary sections of the Indian Penal Code and students who voiced their dissent in Jawaharlal Nehru University were booked under Section 124A (“Hindu Mahasabha leader, husband held”, Feb. 7). It shows how the law of the land works: the National Security Act is invoked for those who are accused of cow slaughter, sedition is invoked for those who dissent, but neither is invoked for those who denigrate the Father of the Nation.

DEEPISH MANI,  
Chennai

### EVM debate

It is a well-established fact that with VVPATs, manipulation of EVMs is practically impossible

(“Checks and balances”, Feb. 7). If glitches are the argument for replacing systems, we cannot trust any system in the world. The paper ballot is most susceptible to rigging. It is a closed chapter in this country. The focus should be on ending VVPAT glitches. Political parties must stop crying foul over a well functioning system.

P. MANGALACHANDRAN,  
Kannur

### U-turn on Sabarimala

It is sad to see the Travancore Devaswom Board, which utilises public money, changing its stand in the Supreme Court, in line with the Kerala government’s stand (“TDB changes stand, supports SC judgment on Sabarimala”, Feb. 7). It has let down believers. How can the TDB support something that is against custom and why has

it suddenly changed its stand?

B. VEERAKUMARAN,  
Thiruvananthapuram

The centuries-old belief that Lord Ayyappa is a ‘naishtika brahmachari’ is an amusing argument to be put forth in the Supreme Court (“Bench reserves orders on Sabarimala review petitions”, Feb. 7). Has the Lord ever claimed that he is a ‘naishtika brahmachari’? Temple idols are treated as legal entities so that legal issues associated with the administration of temple property can be settled. No human being has any legal right to declare what an idol in a temple, in its human manifestation, likes or dislikes. So the argument above is not valid legally. In the matter of right to worship in a temple, the only arguments that are

relevant are those pertaining to customs and traditions that are followed in that temple with the general consensus of its devotees. But in the case of any conflict between customary practices and the Constitution, the Constitution prevails.

S.P. ASOKAN,  
Chennai

### Unstable government

Neither is the Chief Minister willing to step down, nor is the BJP willing to bring a no-confidence motion in the House (“Karnataka Congress warns dissident MLAs”, Feb. 7). Those MLAs who cannot seem to make up their minds about whom to support but are continuing to enjoy power should come out in public and end this drama once and for all. The chaos in the State is a lesson for all those who want a coalition

government. The path for such governments is never smooth.

V.S. GANESHAN,  
Bengaluru

### Speaking out

It is undeniable that this country needs lawyers like Prashant Bhushan (“SC may curb advocates from speaking on cases”, Feb. 7). Mr. Bhushan is a man of outstanding credentials and nobody can doubt his integrity of purpose in cleaning the cobwebs of power. How can one say that what Mr. Bhushan said would amount to contempt

even though he was merely conveying what the Leader of the Opposition had told him? The purpose of contempt is to preserve the dignity of the courts, which Mr. Bhushan tries to do everyday. We cannot silence such people with contempt. That would virtually amount to there being no checks and balances in the system, of which Mr. Bhushan is an integral part.

N.G.R. PRASAD  
& K.K. RAM SIDDHARTHA,  
Chennai

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**CORRECTIONS & CLARIFICATIONS:** >> In a Business page (Feb. 3, 2019) report, “Industrialist K. Mahesh breathes his last,” Harsha Viji’s designation was erroneously mentioned as *deputy chairman*, Sundaram Finance. He is actually the *deputy managing director*.

It is the policy of The Hindu to correct significant errors as soon as possible. Please specify the edition (place of publication), date and page. The Readers’ Editor’s office can be contacted by Telephone: +91-44-28418297/28576300 (11 a.m. to 5 p.m., Monday to Friday); Fax: +91-44-28552963; E-mail: readerseditor@thehindu.co.in; Mail: Readers’ Editor, The Hindu, Kasturi Buildings, 859 & 860 Anna Salai, Chennai 600 002, India. All communication must carry the full postal address and telephone number. No personal visits. The Terms of Reference for the Readers’ Editor are on www.thehindu.com