



Transparency road

India and China should be guided by the Wuhan spirit, and not by differences over BRI

Two years after the Belt and Road Initiative forum was unveiled with fanfare, Chinese President Xi Jinping's address to the second BRI forum was a clear indication that Beijing is coming to terms with the pushback his ambitious project has received. Mr. Xi's speech to 37 heads of government and the UN Secretary General and the IMF Managing Director had many significant takeaways, including a stated commitment to "transparency and sustainability" of BRI projects, and to greater debt sustainability in the "financing model" of the Belt and Road under new guiding principles. Since 2017, India, the U.S. and other countries have been critical of the lack of transparency with which many of the BRI projects were negotiated with governments. Sri Lanka, the Maldives, and Malaysia had second thoughts on some of the infrastructure projects over fears of a "debt trap", and allegations of corruption in BRI projects became election issues. In April last year, European Union Ambassadors to Beijing issued a statement saying the BRI ran "counter" to their agenda for liberalising trade and "pushed the balance of power in favour of subsidised Chinese companies". After Central Asia and South East Asia, China's biggest foray is into Europe, and the criticism did not go unheeded by Beijing. China agreed to renegotiate terms on projects, reached out to regional organisations like the Arab and African forums and the EU, where Premier Li Keqiang pledged to "respect EU rules and standards" at a summit of "17+1" Central and Eastern European countries that are part of the BRI. It is hoped that China will take this understanding forward beyond Mr. Xi's speech and help build an infrastructure financing network that is equitable and transparent, especially for smaller states.

While Mr. Xi's words on transparency and inclusivity will be welcomed in India, they don't address New Delhi's main concern over the BRI, of sovereignty. India's objection to the China-Pakistan Economic Corridor (CPEC) is that it runs through parts of Pakistan Occupied Kashmir, and this has led to the Modi government's decision to stay away from the summit. India's other concern over the BRI's inroads in South Asia will also grow: at the summit, China listed the China-Myanmar Economic Corridor and the Nepal-China Trans-Himalayan Multi-dimensional Connectivity Network, and the CPEC as focus areas. Even so, India has abandoned its sharp rhetoric against the BRI this time compared to 2017, and China issued statements saying it would not allow the decision to affect the bilateral relationship. This was an indicator that both would rather be guided on the issue by the Wuhan spirit than by the deep differences they continue to have over the BRI project.

Off the mark

The Telangana exam fiasco necessitates a fresh review of all the papers

When the school-leaving certificate remains the most important outcome for a student at the end of a dozen years of study, governments have a duty to ensure that it is accurate. The serious errors in the Telangana State Board of Intermediate Education results this year, which have triggered 21 student suicides, show that policymakers and the bureaucracy can badly fail at meeting their responsibilities. A few hundred students were declared absent and passed, without their marks being displayed, and in other cases, as absent and failed, although the candidates had taken the examination. In one case, apparently caused by human error, the student's marks statement recorded a zero, when in fact she had scored 99. The State-appointed inquiry committee that went into the examinations issue has pointed to errors on the part of the company that was chosen to handle the results, notably absence of checks on the system's performance and sufficient trials of the software application to assess its robustness. Chief Minister K. Chandrasekhar Rao has ordered free reverification of the papers, but the government's major concern should be the restoration of public confidence. It should review all the papers and make them available to candidates for scrutiny without any fee.

Among the issues raised after the Telangana fiasco is whether the private agency selected to process the results could handle the scale of the operation. This year, over 8.7 lakh candidates took the Intermediate examination, and the inquiry has determined that there was no significant variation in the pass percentage in some of the difficult subjects, compared with 2018. But the agency contracted to do the processing had encountered problems with data even during the collection of fees, which should have led to rigorous scrutiny of the technology. There was also a lack of understanding among examiners, since some errors were traced to wrong entries in machine-readable forms. Independent verification, review of results and future preparedness are now being pursued, but many families have lost loved ones and others have been deeply traumatised. It is imperative that all school boards learn from Telangana's mistakes. The tragic consequence of examination muddles is a spate of student suicides. This distressing annual phenomenon is witnessed in many States, but governments have not addressed it with any degree of alarm. Students should be counselled at school that marks in the final examination are not the sole determinants of success. Policymakers should follow up such an assurance by creating more opportunities for all youth to acquire life-building skills that match their aptitude. Such counselling can also help parents, who view school-leaving marks as the make-or-break numbers for a child. A proper examination is important, but in a diversified, growing economy, sound learning and job skills hold the key to securing the future.

An employment-oriented economic policy

In the heated debate on jobs, the crucial link between macroeconomic policy and unemployment has not been flagged



PULAPRE BALAKRISHNAN

Innumerable tasks with respect to the economy await the winner of the parliamentary elections now under way, but two may be mentioned and they are connected. The first is to review the conduct of macroeconomic policy. Though it must come across as arcane, this is an element of public policy that makes a difference to whether we enjoy economic security or not. This brings up the second task for the winner, namely employment generation.

The macroeconomic policy pursued in the past five years needs overhauling. The government has continued with fiscal consolidation, or shrinking the deficit, while mandating the Reserve Bank of India (RBI) to exclusively target inflation leaving aside all other considerations. This has contracted demand. That high fiscal deficits and high inflation per se can never be good for an economy does not justify a permanently tight macroeconomic stance. The rationale given for one is that it is conducive to private investment, said to be shy of fiscal deficits and held back by inflation. Both the deficit and inflation have trended downward in the past five years, yet investment as a share of national income has remained frozen.

Inflation targeting

Now, while fiscal consolidation was something the Narendra Modi government had inherited, it has taken credit for having moved India onto the path of 'inflation targeting'. Arguably though, India has seen a virtual inflation targeting since 2013 when the policies of

the RBI became more closely aligned to the practices of central banks in western economies. Thus in 2013-14 the real policy rate saw a positive swing of over four percentage points, and it has more or less remained there. Admittedly, at double digits, inflation had been high in 2012-13 but that could have been due to abnormal hikes in the procurement price and not due to runaway growth. However, as the theory underlying inflation targeting asserts that it reflects an overheating economy, an interest-rate hike is triggered. The high interest rate regime in place since 2013 could not but have had a negative impact on growth by raising the cost of capital to industry. The negative impact of a high policy rate may, however, have appeared elsewhere too.

Reviewing RBI's role

A regime of high interest rates can be bad not only for investment – and thus for growth and employment – but also for financial stability. Sharp increases in interest rates can trigger distress. A trade-off between low inflation and financial stability could emerge depending upon how the former was purchased. If low inflation is achieved via high interest rates it can trigger financial instability in two ways. The first is via the direct impact on the cost of financing in a floating interest-rate regime; a higher policy rate translating into a higher borrowing rate. Second, if rising interest lowers growth, revenue will grow more slowly for firms. Both these mechanisms can render once-sound projects unprofitable, leaving banks stressed. It appears that this did not find a place in the operating manual that goes with the 'modern monetary policy framework', with inflation targeting as its primary focus, instituted in India in 2015. That our concerns are not purely imaginary



is evident in the fact that there has been a growth of non-performing assets of banks even after a change in the method of classification first resulted in their surging in 2015. This feature along with the spectacular collapse of the giant Infrastructure Leasing and Financial Services Ltd (IL&FS) recently point to the need to review the role of the RBI.

Experience suggests that it must be tasked with far greater responsibility for maintaining financial stability while being granted wider powers. It goes without saying that the Finance Ministry and its nominees on the RBI Board should desist from insisting upon actions that could jeopardise financial stability in trying to quicken the economy. At the same time, the RBI's leadership may want to reflect on the mindset that leads to publicly lecturing the government of India on the fate of incurring the "wrath of financial markets". Whatever be the compulsions of securing the balance of payments, such a view privileges the interests of international finance capital over the public interest in a democracy. It also suggests that the movements in the financial markets are to be treated as the bellwether in economic policy-making. Actually, over the past 30 years, from Mexico to southeast Asia, financial markets can be seen to have been fickle, self-serving and capable of causing great harm as they switch base globally in search of profits

A Washington pipe dream

The American stance on Iranian oil exports could only cause mayhem in West Asia



MOHAMMED AYOOB

U.S. Secretary of State Mike Pompeo announced on April 22 that the United States would not issue any additional 'Significant Reduction Exceptions' to existing importers of Iranian oil who had received such exemptions last November. Mr. Pompeo declared that the objective was to bring Iranian oil exports to "zero". India, China and Turkey, the principal remaining oil importers from Iran, will feel the greatest impact of this policy, which will take effect on May 2.

The end of the waivers is expected to bring different responses from the main importers. China, one of the largest importers of Iranian oil, is likely to defy the American demand because as a great power and potential challenger to U.S. hegemony it will not want to be seen as bowing to American pressure. Furthermore, Beijing is firmly opposed to unilateral sanctions, as it fears that one day it may be subjected to similar treatment.

Turkey and Iran have overlapping strategic interests regarding Kurdish secessionism, the territorial integrity of Iraq, and shared antipathy towards Saudi Arabia.

Iran is the second largest supplier of energy to Turkey and a leading trading partner as well. Furthermore, Turkey's relations with the U.S. are currently rocky over U.S. support to the Syrian Kurdish militia, the YPG, that Ankara considers a terrorist organisation because of its close relations with the secessionist PKK. The threat of American sanctions on Turkey following the latter's decision to buy S-400 missile defence systems from Russia has also contributed greatly to tensions between the two countries. Therefore, it is unlikely that Turkey will bend completely to American will although it may do so partially to placate its NATO ally.

Indian capitulation?

The American decision could not have come at a worse time for India with the country in the midst of a bitterly fought election campaign and policy makers focussed on the domestic scene. Nevertheless, the Indian response is expected to be the most weak-kneed of the three. New Delhi is likely to comply with American demands, as India's relations with the U.S. in the economic sphere are very important to it. The U.S. is India's largest trading partner and a leading source of foreign investment. It has become increasingly important in the strategic arena as well because of the convergence of American and Indian interests regarding containing China in the Indo-Pacific region. Moreover, the ci-



vil nuclear relationship with the U.S. is very important for India, as is American support for India's bid to enter the Nuclear Suppliers Group.

However, compliance with the American diktat will not come without costs. India is heavily involved in building the Chabahar port in southern Iran. This port is expected to become a major access route for India not only to Iran but also to Afghanistan and Central Asia bypassing hostile Pakistani territory. Tehran is also important for New Delhi in the context of Afghanistan as both are unequivocally opposed to the Pakistan-supported Taliban returning to power even in a power-sharing arrangement. Furthermore, Iran shares India's antipathy toward Pakistan, which it considers Washington's proxy and Saudi Arabia's ally. India's decision to stop importing oil from Iran at America's behest could drive a wedge between New Delhi and Tehran that will be very difficult to

through speculation.

The entire gamut of macroeconomic policy in India needs rethinking. In the heated public debate on job creation that we have seen recently, the link between macroeconomic policy and unemployment has not been flagged. When policy holds back investment, and we have seen above that it can, the prospect for employment growth is weak. The conduct of macroeconomic policy in India in recent years has compromised the principle that its two arms of fiscal and monetary policy must be used in a countervailing manner if aggregate demand is not to be affected. Instead, for too long, macroeconomic policy in India has been contractionary across the board, impacting employment adversely.

Job creation

Even as we shift towards macroeconomic policies that maintain the level of aggregate demand, we can assist the unemployed by strengthening the employment programme we already have, namely the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). Three actions may be taken towards this end. First, there have been reports that though the budgetary allocation for the scheme may have increased, workers face delay in payment. This is unacceptable, especially in this digital era when beneficiary identification and money transfer are cheap and reliable. Second, as has been suggested, there is a case for extending the MGNREGS to urban India for there is unemployment there. Of course, some rationalisation of existing public expenditure would be needed to generate the fiscal space needed, but we may yet expect a positive sum outcome when this is done imaginatively.

However, as with macroeco-

repair and cost India strategically.

The most important question is whether Iran will capitulate to the American threat of cutting oil imports down to zero and accept Washington's demand to revise its position on issues the U.S. considers important. These include Tehran totally giving up its right to enrich uranium and closing down all nuclear facilities including those engaged in research for peaceful purposes. Additionally, it would entail Iran drastically curtailing if not completely eradicating its ballistic missile programme, and radically changing its West Asia policy to fall in line with American preferences in Syria, Iraq, Lebanon and Yemen.

However, this appears to be a Washington pipe dream. Iran has stood up to unprecedented sanctions for four decades and remained unbowed. The current American policy of forcing Tehran to cut its oil exports to zero will only aid Iranian hardliners and end up with Tehran adopting an even more virulent anti-American posture, further impeding the realisation of American strategic objectives in the region.

A dark scenario

While this confrontationist policy may please Israel and Saudi Arabia, it can well become a prelude to another major war in West Asia. Pushed to the wall by its inability to export oil in sufficient quantities, Iran is likely to retaliate by withdrawing from the nuclear ac-

conomic policies, a thorough review of how the MGNREGS works on the ground is necessary. In the context, we often find a reference to "asset creation". This is an important criterion but we need not rule out the provision of public services under the scheme. The point is to ensure that we have desirable outcomes beyond just the job statistics. There is reason to believe that this matter is given no importance in the implementation of the scheme at present. An example would make this clear.

In Kerala, employment under the MGNREGS is also organised to clear the vegetation at the roadside. However, what at times is found to remain after the MGNREGS work team has left is the garbage that was earlier concealed by the undergrowth. The organised 'cleaning' expertly skirts the garbage unconsciously deposited at the roadside! This is more than just a matter of aesthetics and can be dangerous when, for instance, waste from abattoirs has been dumped in the shrubbery. It makes a mockery of publicly-funded programmes that they can leave us worse off, and speaks of the unaccountability that pervades so much of government intervention in the economy. But recognising the hazard opens up an opportunity for improvement. The MGNREGS should target the waste dotting our countryside, and when extended to urban India should aid municipal waste-management efforts. We would then have a cleaner environment and have at the same time created jobs. That would be a fitting tribute to the man after whom the programme is named, one who had worked for a clean India much of his life.

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cord and resuming full-scale nuclear enrichment close to weapon grade-level. This could lead to either an American and/or Israeli air and missile strikes on Iran's nuclear facilities. Such attacks are bound to invite Iranian retaliation against American targets in Iraq, Syria, and Afghanistan and around the Gulf, either through proxies or directly. Iranian retribution is likely to include air strikes against Saudi and Emirati targets as well and concerted efforts to block the Straits of Hormuz.

The mayhem that this action-reaction phenomenon will cause in the region can be disastrous for West Asia and could seriously disrupt the flow of energy supplies from the Gulf through the narrow Straits of Hormuz. It is ironic that some of the authors of America's disastrous invasion of Iraq, such as National Security Adviser John Bolton, are also the masterminds behind the current American confrontationist policy towards Iran. If not reversed, such a strategy could well lead to another American misadventure in West Asia before which the tragic consequences of the Iraqi invasion, such as state failure and the boost to international terrorism, are likely to pale into insignificance.

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LETTERS TO THE EDITOR

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Fourth phase

As the general election moves to its last stages, one wonders what more is in store for the electorate: the ruling dispensation trying all the tricks of the trade to retain power and the Opposition trying hard to expose the BJP (Page 1, "Violence mars voting in Bengal, turnout up in fourth phase", April 30). Come May 23 and the world's largest democracy is sure to witness the results of one of the most keenly fought polls since Independence. The expectation of the people is for a government that will address serious and several basic issues whose solutions are still elusive, and not issues concerning religion. G.B. SIVANANDAM, Coimbatore

PM's comment

The comments of the Prime Minister while addressing an election rally in Hooghly district, West Bengal, that "40 MLAs" of the Trinamool Congress "are in touch" with him and probably ready to crossover once the election results are out, are in bad taste ("Mamata has betrayed State: PM", April 30). Though nobody is naive enough to believe that political parties would always be practising Swachh rajneeti, one cannot expect such a statement coming from the Prime Minister. While the BJP has had no reservations or hesitation in using horse trading and other backdoor manoeuvres to grab power, like most other parties would, it is unbecoming of a person of the PM's stature

to publicly stamp his approval on such subversions of democracy.

D.R. D.V.G. SANKARARAO, Nellimarla, Andhra Pradesh

Telangana exam results

What has happened in Telangana as a result of bungling in the Intermediate examination is inexcusable ("Students demand Minister's resignation over Inter fiasco" and "Student who scored 99 given zero", both April 30). A student has every right to expect a fair examination. Also, marking a student's answer sheet may be a ritual but it must be done fairly and correctly as it dictates a student's future. In Telangana, who will take responsibility for the mess? BEENA ANIL, Chennai

Growing resistance

The world needs a 'Project Manhattan' for antibiotics as the U.S. did when it was working on nuclear weapons ('Life page', "Drug-resistant diseases could kill 10 million a year by 2050", April 30). No new antibiotic has been developed over the past 30 years. Antibiotic use has to be balanced and wisely applied. Easy access to antibiotics that is prevalent in the country should be regulated. In this pharmacists and the medical fraternity can play a critical role. All eyes are on who bags the Longitude Prize, a £10m prize fund, which will reward a team of researchers who develop a point-of-care diagnostic test that will conserve antibiotics for future generations and

revolutionise the delivery of global healthcare'.

H.N. RAMAKRISHNA, Bengaluru

Going EV

India has a long way to go before it can be a part of the electric vehicle (EV) revolution. In addition to having good battery technology, which includes making the charged battery work longer, there is also the challenge of bringing 'charging' infrastructure in place. Subsidy is one element in this. India needs a comprehensive policy on EV, a mechanism for the Centre-States to work together, and also for the private sector to participate. Funding aspects need to be taken care of. C.K. MOHAN, Chennai

Taxed

As bibliophiles are aware, books for personal use are not liable to customs duty and come under the General Exemption Customs Tariff Act 1975. However, there are instances, where one has had to pay customs duty and taxes for books bought from overseas for personal use. Authorities, in this instance at the Bangalore Customs zone, pleaded helplessness and finally said the change is with effect from February, 2017. Two complaints, registered under the Public Grievances Portal and also with the Revenue Secretary, Government of India, have not been responded to. NAGESH HAVANUR, Bengaluru

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